EXHIBIT 2

Probusinessbank Group

Consolidated Financial Statements and Independent Auditor's Report

for the Year Ended 31 December 2014

PROBUSINESSBANK GROUP

CONTENTS

PROBUSINESSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Probusinessbank and its subsidiaries ("the Probusinessbank Group", "the Group") as at 31 December 2014, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian Federation legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by the Management Board on 15 April 2015.

On behalf of the Management:

A.V. Lomov
Deputy Chairman of the Management Board

15 April 2015

A.G. Sologub
Deputy Chief Accountant

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Board of Directors of Joint Stock Commercial Bank "Probusinessbank" (Open Joint Stock Company).

We have audited the accompanying consolidated financial statements of OJSC Probusinessbank ("the Bank") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014, in accordance with International Financial Reporting Standards.

Report on procedures performed in accordance with the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990

Management of the Bank is responsible for compliance of the Group with the obligatory ratios established by the Bank of Russia (the "obligatory ratios"), as well as for compliance of the Group's internal control and risk management systems with the Bank of Russia (the "CBRF") requirements.

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 (the "Federal Law") in the course of our audit of the Group's consolidated financial statements for 2014 we performed procedures with respect to the Group's compliance with the obligatory ratios as at 1 January 2015 and compliance of its internal control and risk management systems with the CBRF requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank's policies, procedures and methodologies with the CBRF requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. with respect to the Group's compliance with the obligatory ratios: the obligatory ratios as at 1 January 2015 were within the limits established by the CBRF.

   We have not performed any procedures with respect to the Group's financial information other than those we considered necessary to express our opinion on whether the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

2. with respect to compliance of the Group's internal control and risk management systems with the CBRF requirements:

   (a) in accordance with the CBRF requirements and recommendations as at 31 December 2014 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the CBRF;

   (b) as at 31 December 2014, the Bank had duly approved in accordance with the CBRF requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

   (c) as at 31 December 2014, the Bank had a reporting system with regard to the Group's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Group's capital;

   (d) Frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2014 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;

(e) as at 31 December 2014, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Group's risk management policies, during 2014 the Bank's Board of Directors and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

We have carried out the procedures with respect to the Group's internal control and risk management systems solely to report on the findings related to compliance of the Group's internal control and risk management systems with the CBRF requirements.

Deloitte & Touche

15 April 2015
Moscow, Russian Federation

Neklyudov S.V., Partner
(license no. 01-000196 dated November 28, 2011)

ZAO Deloitte & Touche CIS

The Entity: OJSC "Probusinessbank"

Certificate of state registration № 2412 dated 28.01.1998.

Certificate of registration in the Unified State Register № 1027700508978 of 09.12.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 50.

Address: 119285, Russia, Moscow, Pudovkina street, 3

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
Interest income	6	26,368,022	30,859,775
Interest expense	6	(10,163,217)	(10,426,890)
Net interest income		**16,204,805**	**20,432,885**
Fee and commission income	7	6,440,936	5,478,297
Fee and commission expense	8	(734,051)	(570,744)
Net fee and commission income		**5,706,885**	**4,907,553**
Net loss on financial assets and liabilities at fair value through profit or loss	9	(5,543,607)	(2,046,253)
Net foreign exchange gain	10	7,402,153	2,464,811
Net realized gain/(loss) on available-for-sale securities		10,929	(1,507)
Other operating income	11	1,433,904	1,347,242
Other operating expense	12	(103,647)	(715,728)
Operating income before provision for impairment losses		**25,111,422**	**26,389,003**
Impairment losses	13	(10,991,100)	(6,452,938)
Change in fair value of investment property	23	(187,269)	(129,468)
General administrative expenses	14	(17,403,138)	(16,871,887)
(Loss)/profit before tax		**(3,470,085)**	**2,934,710**
Income tax benefit/(expense)	15	330,519	(816,561)
Total profit for the period from continuing operations		(3,139,566)	2,118,149
Discontinued operations:			
Profit for the period from discontinued operations	25	**94,757**	**82,885**
(Loss)/profit for the period		**(3,044,809)**	**2,201,034**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities, net of tax	15	-	(237)
Net amount of fair value of available-for-sale securities transferred to profit or loss, net of tax		617	597
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property and equipment, net of tax	15	(132,088)	162,726
Other comprehensive (loss)/income		**(131,471)**	**163,086**
Total comprehensive (loss)/income		**(3,176,280)**	**2,364,120**
(Loss)/profit attributable to:			
Equity holders of the Bank		(2,940,233)	2,150,065
Non-controlling interest		(104,576)	50,969
(Loss)/profit for the year		**(3,044,809)**	**2,201,034**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Bank		(3,051,147)	2,313,151
Non-controlling interest		(125,133)	50,969
Total comprehensive (loss)/income for the year		**(3,176,280)**	**2,364,120**
(Losses)/earnings per share			
From continuing and discontinued operations			
Basic and diluted (RUR)	47	**(884.36)**	**625.32**
From continuing operations			
Basic and diluted (RUR)	47	**(944.31)**	**616.04**

A.V. Lomov
Deputy Chairman of the Management Board

15 April 2015

ПРОБИЗНЕСБАНК

A.G. Sologub
Deputy Chief Accountant

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
ASSETS			
Cash		11,079,308	6,267,061
Due from the Central Bank of the Russian Federation		9,411,623	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation		2,397,711	1,268,350
Placements with banks and other financial institutions	16	23,119,049	19,605,045
Financial instruments at fair value through profit or loss	17	42,743,368	40,627,977
Amounts receivable under reverse repurchase agreements	18	1,000,614	6,440
Loans to customers	19	76,340,666	59,539,207
Available-for-sale securities		201	105,076
Held-to-maturity investments	20	6,978,401	1,498,474
Property, equipment and intangible assets	21	6,834,187	4,431,803
Development property	22	741,989	2,650,974
Investment property	23	1,631,739	1,224,473
Goodwill		252,676	252,676
Current income tax asset		640,944	79,668
Deferred tax asset	15	2,818,373	1,181,406
Other assets	24	1,586,309	1,029,896
		187,577,158	**144,850,873**
Assets of discontinued operations classified as held for sale	25	-	26,754,763
Total assets		**187,577,158**	**171,605,636**
LIABILITIES			
Financial liabilities at fair value through profit or loss	17	229,427	1,374,568
Deposits and balances from banks and other financial institutions	26	8,250,452	8,119,059
Amounts payable under repurchase agreements	27	6,684,446	1,883,065
Current accounts and deposits from customers	28	138,541,014	110,582,224
Debt securities issued	29	5,742,112	5,506,989
Other borrowed funds	30	4,537,804	1,785,462
Subordinated debt	31	6,188,665	2,361,404
Other liabilities	32	2,156,905	1,854,828
		172,330,825	**133,467,599**
Liabilities associated with assets of discontinued operations classified as held for sale	25	-	20,780,828
Total liabilities		**172,330,825**	**154,248,427**
EQUITY			
Share capital	33	4,417,399	4,417,399
Treasury shares	33	(113,618)	-
Share premium		1,237,031	1,237,031
Additional paid-in capital		-	521,580
Revaluation surplus for property and equipment		604,709	855,001
Revaluation reserve for available-for-sale securities		-	(617)
Retained earnings		6,351,868	10,253,091
Total equity attributable to equity holders of the Bank		**12,497,389**	**17,283,485**
Non-controlling interest		2,748,944	73,724
Total equity		**15,246,333**	**17,357,209**
Total liabilities and equity		**187,577,158**	**171,605,636**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before tax		(3,269,833)	3,037,930
Adjustments for:			
Net interest income		(16,204,805)	(20,652,551)
Impairment losses		10,553,548	6,447,545
Write down of development property to net realizable value		437,552	-
Depreciation/amortization of property and equipment and intangible assets		1,173,282	987,790
(Gain)/loss on disposal of property and equipment and intangible assets		(39,102)	167,576
Loss on disposal of investment property		-	197,228
Loss on disposal of development property		103,647	144,560
Changes in other accruals		34,295	166,308
Change in fair value of investment property		187,269	129,468
Unrealised foreign exchange loss		(5,167,926)	(970,171)
Net cash outflow from operating activities before changes in operating assets and liabilities		**(12,192,073)**	**(10,344,317)**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Mandatory cash balances with the Central Bank of the Russian Federation		(1,126,501)	218,385
Placements with banks and other financial institutions		1,252,348	(691,105)
Financial assets at fair value through profit or loss		3,551,062	(12,200,693)
Amounts receivable under reverse repurchase agreements		(994,174)	(6,715)
Loans to customers		311,029	5,524,091
Other assets		196,516	127,968
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(1,145,141)	1,297,244
Deposits and balances from banks and other financial institutions		(2,828,477)	(1,539,846)
Amounts payable under repurchase agreements		4,381,147	(1,576,456)
Current accounts and deposits from customers		5,168,625	(7,087,063)
Other liabilities		(51,059)	392
Cash outflow from operating activities before interest and taxes paid		**(3,476,697)**	**(26,278,115)**
Interest received		26,167,097	29,697,947
Interest paid		(10, 881,458)	(9,886,795)
Income tax paid		(1,085,796)	(1,077,293)
Net cash inflow/(outflow) from operating activities		**10,723,145**	**(7,544,256)**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment and intangible assets		(2,005,569)	(1,107,459)
Proceeds on disposal of property and equipment and intangible assets		318,628	160,924
Proceeds on disposal of investment property		303,027	1,235,024
Proceeds on disposal of development property		1,367,786	3,685,017
Acquisition of held-to-maturity investments		(5,498,676)	(1,498,474)
Proceeds from disposal of available-for-sale securities		105,492	1,269
Proceeds from disposal of subsidiary	25	297,679	-
Net cash (outflow)/inflow from investing activities		**(5,111,633)**	**2,476,301**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(381)	(3,462)
Purchase of own shares		(297,679)	-
Proceeds from debt securities issued		1,210,083	2,857,401
Repayment of debt securities		(2,929,090)	(5,052,380)
Proceeds from subordinated debt received		2,774,156	-
Repayment of subordinated debt		-	(233,646)
Repayment of other borrowed funds		(461,456)	(578,508)
Proceeds from other borrowed funds		-	494,517
Net cash outflow from financing activities		**295,633**	**(2,516,078)**
Net increase/(decrease) in cash and cash equivalents		**5,907,145**	**(7,584,033)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(638,607)	(325,606)
Cash inflow on acquisition of subsidiaries	46	640,125	-
Cash and cash equivalents at the beginning of the year	40	37,701,315	45,610,954
Cash and cash equivalents at the end of the year	40	**43,609,978**	**37,701,315**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Bank								
	Share capital RUR'000	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2013	**4,417,399**	**1,237,031**	**592,200**	**728,217**	**(977)**	**7,996,849**	**14,970,719**	**78,826**	**15,049,545**
Total comprehensive income									
Profit for the year	-	-	-	-	-	2,150,065	2,150,065	50,969	2,201,034
Other comprehensive income									
Net unrealized losses on investments available-for-sale, net of deferred tax of RUR 59 thousand	-	-	-	-	(237)	-	(237)	-	(237)
Disposal of investments available-for-sale revalued in prior periods, net of deferred tax of RUR 149 thousand (Note 15)	-	-	-	-	597	-	597	-	597
Revaluation of property and equipment, net of deferred tax of RUR 40,681 thousand	-	-	-	162,726	-	-	162,726	-	162,726
Total other comprehensive income	-	-	-	162,726	(237)	-	163,086	-	163,086
Total comprehensive income	-	-	-	**162,726**	**(237)**	**2,150,065**	**2,313,151**	**50,969**	**2,364,120**
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 8,985 thousand	-	-	-	(35,942)	-	35,942	-	-	-
Change in non-controlling interest of a subsidiary	-	-	-	-	-	-	-	(52,994)	(52,994)
Redemption of subordinated debt	-	-	(70,620)	-	-	70,620	-	-	-
Dividends paid (Note 33)	-	-	-	-	-	(385)	(385)	(3,077)	(3,462)
Balance as at 31 December 2013	**4,417,399**	**1,237,031**	**521,580**	**855,001**	**(617)**	**10,253,091**	**17,283,485**	**73,724**	**17,357,209**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Bank									
	Share capital RUR'000	Treasury shares	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2014	**4,417,399**	**-**	**1,237,031**	**521,580**	**855,001**	**(617)**	**10,253,091**	**17,283,485**	**73,724**	**17,357,209**
Total comprehensive income										
(Loss) / profit for the year	-	-	-	-	-	-	(2,940,233)	(2,940,233)	(104,576)	(3,044,809)
Other comprehensive income		-								
Disposal of investments available-for-sale revalued in prior periods, net of deferred tax of RUR 155 thousand (Note 15)	-	-	-	-	-	617	-	617	-	617
Revaluation of property and equipment, net of deferred tax of RUR 33,022 thousand	-	-	-	-	(111,531)	-	-	(111,531)	(20,557)	(132,088)
Total other comprehensive (loss) / income	-	-	-	-	(111,531)	617	-	(110,914)	(20,557)	(131,471)
Total comprehensive (loss) / income for the year	**-**	**-**	**-**	**-**	**(111,531)**	**617**	**(2,940,233)**	**(3,051,147)**	**(125,133)**	**(3,176,280)**
Purchase of own shares	-	(113,618)	-	-	-	-	(184,061)	(297,679)	-	(297,679)
Change in non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(40,512)	(40,512)
Obtaining control of OJSC CB "Solidarnost" (Note 46)	-	-	-	-	-	-	-	-	2,866,933	2,866,933
Disposal of OJSC Bank24.ru (Note 25)	-	-	-	(521,580)	(133,853)	-	(781,456)	(1,436,889)	(26,068)	(1,462,957)
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 1,227 thousand	-	-	-	-	(4,908)	-	4,908	-	-	-
Dividends paid (Note 33)	-	-	-	-	-	-	(381)	(381)	-	(381)
Balance as at 31 December 2014	**4,417,399**	**(113,618)**	**1,237,031**	**-**	**604,709**	**-**	**6,351,868**	**12,497,389**	**2,748,944**	**15,246,333**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

1. BACKGROUND

Principal activities

These consolidated financial statements include the financial statements of OJSC "Probusinessbank" ("the Bank") and its subsidiaries (together referred to as "the Group").

The Bank, the parent company of the Group, was established in the Russian Federation in 1993. In 1994 the Bank was reorganised into a commercial bank (Limited Liability Company) and in 1998 the Bank changed its legal form to an Open Joint-Stock Company. The Bank operates under general banking license № 2412 issued by the Central Bank of the Russian Federation ("the CBRF") and provides a full range of banking services to corporate clients, including public, private, state-owned and other companies operating in various industries, as well as to individuals. In addition to the general banking license, the Bank holds licenses for depositary activities, securities management, broker, dealer activity, intermediary for dealing in futures and options on the stock exchange, non-governmental pension funds assets management, precious metal transactions, and a right to act as a guarantor in relations with customs authorities. The Bank is a member of the following financial associations and organizations: Moscow Interbank Currency Exchange- RTS, Association of Russian Banks, Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), International Retail Banking Council ("IRBC"), and the following communication systems: REUTERS, TELEX, SPRINT, TIMELINK. The Bank is a Principal member of Master Card International and Europay VISA International. The Bank is a member of the state deposit insurance system in the Russian Federation.

The registered address of the Bank is: 3, Pudovkina st., Moscow, 119285, Russian Federation.

The majority of the Bank's assets and liabilities are located in the Russian Federation. The average number of people employed by the Bank during the year was 5,057 (2013: 5,216).

The Bank is a parent company of the banking group which consists of the following companies consolidated for the purposes of these consolidated financial statements as at 31 December 2014 and 2013:

Name	Country of incorporation	Interest/ voting rights, % as at 31 December 2014	Interest/ voting rights, % as at 31 December 2013	Type of activity
OJSC VUZ-Bank	Russian Federation	100.00%	100.00%	Commercial Bank
CJSC CB Express-Volga	Russian Federation	99.80%	98.75%	Commercial Bank
CJSC National Savings Bank (formally – LLC Ivanovsky Oblastnoy Bank)	Russian Federation	100.00%	100.00%	Commercial Bank
OJSC Gazenergobank	Russian Federation	99.99%	99.99%	Commercial Bank
OJSC Bank 24. RU	Russian Federation	-	98.76%	Commercial Bank
OJSC Bank Poidem! (formally Investment City Bank)	Russian Federation	100.00%	100.00%	Commercial Bank
OJSC CB "Solidarnost" (note 46)	Russian Federation	0.00%/20.00%	-	Commercial Bank
LLC FC "Life"	Russian Federation	100.00%	100.00%	Factoring company
"Probusiness-Development" LLC	Russian Federation	100.00%	100.00%	Development company
LLC Development Plus	Russian Federation	100.00%	100.00%	Property company
CMIF "Stroitelnaya Iniciativa"	Russian Federation	80.03%	100.00%	Investment fund
CMIF "DOM"	Russian Federation	100.00%	100.00%	Investment fund

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interest:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interest 31 December 2014 %	Profit (loss) allocated to non-controlling interest 31 December 2014 RUR'000	Accumulated non-controlling interest 31 December 2014 RUR'000
OJSC CB "Solidarnost"	0.00%/20.00%	(107,573)	2,866,933

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below.

Non-controlling interest comprise:

	2014
As at January 1	
Share of profit for the year	(107,573)
Non-controlling interest arising on acquisitions	2,866,933
Non-controlling interest arising on revaluation of property and equipment	(20,557)
As at December 31	**2,738,803**

The summarised financial information below represents amounts before intragroup eliminations.

	2014
Total assets	16,170,591
Total liabilities	13,431,788
Equity attributable to owners of the Bank	-
Non-controlling interest	**2,738,803**

	2014
Revenue	2,211,174
Expenses	(2,318,747)
Loss for the year	**(107,573)**
Loss attributable to owners of the Bank	-
Loss attributable to the non-controlling interest	(107,573)
Loss for the year	**(107,573)**
Other comprehensive loss attributable to owners of the Bank	-
Other comprehensive loss attributable to the non-controlling interest	(20,577)
Other comprehensive loss for the year	**(20,577)**
Total comprehensive loss attributable to owners of the Bank	-
Total comprehensive loss attributable to the non-controlling interest	(128,150)
Total comprehensive loss for the year	**(128,150)**
Dividends paid to non-controlling interest	-
Net cash outflow from operating activities	(944,180)
Net cash outflow from investing activities	(104,706)
Net cash outflow from financing activities	(70,050)
Net cash outflow	(1,118,936)

The average number of people employed by the Group during the year was 13,351 (2013: 14,019).

On 31 March 2003, the Bank acquired a 94.5% interest in OJSC VUZ-Bank. The Bank's acquisition of VUZ-Bank's additional share issue in June 2007 resulted in increasing the Bank's interest to 98.43%. In October 2007 the Bank's interest in the share capital of VUZ-Bank reached 100%.

VUZ-Bank was incorporated as a limited liability company under the legislation of the Russian Federation on 5 September 1991 and changed its legal form to an open joint-stock company on 6 September 1999. Its registered office is located at the following address: 31-b Malysheva st., 11 Bankovsky per., Ekaterinburg, Russian Federation. VUZ-Bank's activities are regulated by the CBRF and general banking licence No. 1557. VUZ-Bank is an associated member of Visa International Service Association, affiliate member of MasterCard International Incorporated and member of the Urals Bank Union. VUZ-Bank is a member of the state deposit insurance system since 23 December 2004. The average number of people employed by VUZ-Bank during the year was 1,250 (2013: 1,297).

On 29 December 2003, the Bank entered into an agreement with the shareholders of CJSC Express-Volga ("Express-Volga Bank") to acquire the majority interest in Express-Volga Bank. Starting from 6 February to 10 February 2004, the Bank has become a registered owner of 57.92% of the share capital of Express-Volga Bank and, additionally, on 19 April 2004 the Bank acquired another 1.03% of the bank's share capital. In May 2005, the Bank additionally acquired 27.33% of the share capital of Express-Volga Bank. In March 2007 the Bank additionally acquired 116,382 ordinary registered shares (12.03% of share capital) of Express-Volga Bank. The Bank's interest in the share capital of Express-Volga Bank amounted to 98.31%. The Bank's acquisition of additional issue of the Bank's ordinary registered shares in June 2007 resulted in the growth of its interest in Express-Volga's share capital to 98.75%. In 2014 the Bank acquired additional shares from minority shareholders which resulted in the growth of its interest in Express-Volga's share capital to 99.80%.

Express-Volga Bank was incorporated as a Closed Joint-Stock Company under the legislation of the Russian Federation on 6 September 1994. Its registered office's address is: 166/168 Michurina st. Saratov, Russian Federation. Express-Volga Bank's activities are regulated by the CBRF general banking license No. 3085 of 2 October 2002.

In addition to the license for banking operations in Russian rubles and foreign currencies Express-Volga Bank has a license that allows it to perform depository activities. Express-Volga issues Union Card and Visa plastic cards and also services international plastic cards Eurocard/Mastercard, Visa, Cirrus Maestro, Visa–Electron Plus. Express-Volga is a member of the state deposit insurance system since 16 December 2004. The average number of people employed by Express-Volga Bank during the year was 2,918 (2013: 2,989).

On 1 December 2006, the Bank finalised the acquisition of an interest in the share capital of LLC CB Ivanovsky Oblastnoy Bank ("Ivanovsky Oblastnoy Bank"). The Bank's interest in the share capital of Ivanovsky Oblastnoy Bank is 100%.

In 2009, in accordance with the Order No. 107/1-P "About the state registration of the new name of CJSC National Savings Bank", LLC CB Ivanovsky Oblastnoy Bank was reorganized and renamed CJSC National Savings Bank.

CJSC National Savings Bank (LLC CB Ivanovsky Oblastnoy Bank) is the successor of LLC CB Ivanovskie Sittsy established by the decision of owners on 11 May 1992 and registered by the CBRF on 7 July 1992, registration number 1949. In accordance with the CBRF license, CJSC National Savings Bank has the right to carry out operations with legal entities and individuals in Russian rubles and in foreign currencies. CJSC National Savings Bank is a member of the state deposit insurance system since 2 December 2004. The registered address of the Bank is: 2 Palekhskaya st., Ivanovo, Russian Federation, 153000. CJSC National Savings Bank has 1 additional office in Ivanovo. The average number of people employed by that bank during the year was 207 (2013: 199).

On 14 November 2008, the Bank signed a strategic partnership with OJSC "Gazenergobank" which resulted in the change of the owner of OJSC Gazenergobank.

The Bank became the owner of 19.83% of ordinary shares and 80.16% of the ordinary shares of OJSC Gazenergobank were repurchased by the senior management of the Group. As a result the Group obtained full control over OJSC Gazenergobank, and its results were consolidated into the financial statements of the Group from that date.

On 22 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.99% of OJSC Gazenergobank shares.

OJSC Gazenergobank was incorporated as an Open Joint-Stock Company under the legislation of the Russian Federation on 19 May 1995 and is a member of the state deposit insurance system in the Russian Federation since 27 January 2005. The registered address of OJSC Gazenergobank is: 4 Plekhanova st., Kaluga, Russian Federation.

OJSC Gazenergobank issues banking cards in the payment system of MasterCard International, including MasterCard, Cirrus/Maestro, Visa (in ATMs), American Express and Diners Club banking cards. The Bank began personalization of its own banking cards in 2006 in Kaluga. Financial statements of OJSC Gazenergobank are included into the Group's consolidated financial statements from the date of acquisition (14 November 2008). The average number of people employed by the Bank during the year was 1,152 (2013: 1,206).

On 5 December 2008, the Bank together with the government-sponsored Deposits Insurance Agency (DIS) and Bank24.ru signed a general agreement No. 2008-0301/3. According to the Agreement, OJSC Probusinessbank was committed to ensure the financial improvement of OJSC Bank24.ru. The Bank became the owner of 20% of ordinary shares and 79.53% of ordinary shares of OJSC Bank24.ru were repurchased by the senior management of the Group. As a result, the Group obtained full control over OJSC Bank24.ru.

On 27 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.53% of OJSC Bank24.ru shares. On 10 May 2011, the Bank sold 0.77% of shares to an individual and the Bank became the owner of 98.76% of OJSC Bank24.ru shares.

OJSC Bank24.ru was established in 1992. The name of OJSC Bank24.ru till 2003 was "Uralcontactbank". During 2003, as a result of changes of owners and rebranding the Bank was renamed to Bank24.ru. The registered address of OJSC Bank24.ru is: 12 Kuibysheva st., Ekaterinburg, Russian Federation, 620144. Bank24.ru has a banking license (No.2227 of 29 October 2003) to perform operations with Russian rubles and foreign currency.

On 24 February 2005, OJSC Bank24.ru became a member of the state deposit insurance system in the Russian Federation.

The financial statements of OJSC Bank24.ru are included into the Group's consolidated financial statements starting from the date of acquisition (5 December 2008).

The Group has disposed of OJSC Bank24.ru on 30 June 2014. The disposal details are presented in Note 25.

On 25 December 2009, CJSC National Savings Bank purchased 19.99% of ordinary shares of OJSC Investment City Bank. 77.11% of ordinary shares of OJSC Investment City Bank were purchased by the senior management of the Group. As a result the Group obtained full control over OJSC Investment City Bank, and its results were consolidated into the financial statements of the Group from that date. During 2013, OJSC "Probusinessbank" purchased all ordinary shares from subsidiary bank, from the senior management of the Group and from minorities and became a 100% owner of the bank.

Investment City Bank ("ICB") was incorporated in 1993 as an Opened Joint-Stock Company under the legislation of the Russian Federation as OJSC Gals-Bank. In 1997, the bank was renamed OJSC CB Gals-Bank. According to the decision of General Meeting of shareholders in 1999 the name of the bank was changed to OJSC Investment City Bank.

On 31 December 2010, OJSC Investment City Bank was renamed OJSC CB "Poidem!" and the required changes were made in the State Register of Credit Institutions of the Bank of Russia. OJSC CB "Poidem!" was issued new licenses to conduct banking operations in rubles and foreign currency, as well as to draw deposits from individuals. License numbers remain the same - 2534.

The registered address of OJSC CB "Poidem!" is: 36/3 Kutuzovsky prospekt, Moscow, Russian Federation, 630049.

The average number of people employed by OJSC CB "Poidem!" during the year was 1,616 (2013: 2,017).

On 21 April 2014, the Group obtained managerial control over OJSC CB "Solidarnost", by appointment to the Board of Directors of key top management personnel of OJSC "Probusinessbank" (Note 46).

On 21 April 2014, the Group purchased a right to obtain shares from the existing owner of the bank. This agreement is valid until 22 December 2024 and is exercisable at any time when OJSC "Probusinessbank" decides to acquire 20% of the voting equity shares in OJSC CB "Solidarnost" at a fixed price. In combination of all these factors the Group has recognsed 21 April 2014 as the date when the Group obtained control over OJSC CB "Solidarnost".

The registered address of OJSC CB "Solidarnost is: b.90, Kuibyshova str., Samara, Russian Federation, 443099.

The average number of people employed by OJSC CB "Solidarnost" during the year was 838.

LLC "Development Plus" was established in 2010. The entity holds title to the office premises that are used exclusively by bank "Poidem" under a lease agreement.

The registered address of LLC Development Plus is: 3, b.1, Dobrolyubova st., Moscow, Russian Federation, 127254.

Closed-end Investment Fund "Perspectivnaya Nedvijimost" is engaged in real estate investment activities within the Russian Federation. The fund was established during 2009. The financial statements of fund was consolidated into the Group's financial statements beginning 31 December 2009.

The Group has disposed of Closed-end Investment Fund "Perspectivnaya Nedvijimost" on the 30 June 2014. The disposal details are presented in Note 25.

LLC FC "Life" was founded in September 2007. LLC FC "Life" focuses on financing for small and medium businesses. On 31 May 2010, OJSC "Probusinessbank" purchased 100% of the authorized share capital of LLC FC "Life".

Financial statements of "FC "Life" are included into the Group's consolidated financial statements from the date of acquisition.

The registered address of "FC "Life" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195. The average number of people employed by LLC FC "Life" during the year was 292 (2013: 252).

On 6 May 2010, OJSC "Probusinessbank" entered into a preliminary binding unconditional agreement to purchase 100% of the authorized capital of "Probusiness-Development" LLC for RUR 230,813 thousand.

On 27 December 2010, OJSC "Probusinessbank" paid RUR 43,854 thousand as purchase consideration for "Probusiness-Development".

On 3 February 2011, the Bank paid the remaining purchase consideration of RUR 186,959 thousand for "Probusiness-Development". The financial statements of "Probusiness-Development" are included into the Group's consolidated financial statements from the date of acquisition.

The registered address of "Probusiness-Development" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195.

Closed-end Investment Fund "DOM" is engaged in real estate investment activities within the Russian Federation. Both funds were established during 2009. The financial statements of fund were consolidated into the Group's financial statements beginning 31 December 2009.

Closed-end Investment Fund "Stroitelniya Initsiativa" (CIF "SI") is engaged in real estate investment activities within the Russian Federation. The CIF "SI" was established during 2011. The financial statements of CMIF "SI" were consolidated into the Group's financial statements beginning 30 September 2011.

As at 31 December 2014, the Group's network includes 3 branches, 110 additional offices, 328 credit offices, 278 operational offices, 10 cash desks and 2 representative offices. Representative offices operate in Moscow and Saratov. The Group has opened its lending and cash services offices and operation offices in Angarsk, Arkhangelsk, Alatyr, Belgorod, Briansk, Bugulma, Velikie Luki, Velikiy Novgorod, Vladivostok, Vladimir, Voronezh, Volgograd, Voljsk, Vologda, Votkinsk, Vyborg, Derbent, Dzerzhinsk, Ekaterinburg, Yelec, Izhevsk, Yoshkar-Ola, Kaliningrad, Kaluga, Kamensk-Uralskiy, Kamyshin, Kingisepp, Kirov, Kostroma, Krasnoyarsk, Kursk, Kurgan, Lipetsk, Magnitigorsk, Mariy El, Mourom, Nabregnye Chelny, Neftekamsk, Nizhny Novgorod, Nizhnevartovsk, Nijnekamsk, Novosibirsk, Omsk, Orel, Orenburg, Petrozavodsk, Pskov, Rzhev, Rybinsk, Ryazan, Rostov-on-Don, Samara, Saransk, Saratov, St. Petersburg, Smolensk, Sosnoviy Bor, Sosnogorsg, Surgut, Syktyvkar, Taganrog, Tver, Tikhvin, Tula, Ukhta, Ufa, Khanty-Mansiysk, Chita, Chelyabinsk, Cherepovets, Cheboksary, Yaroslavl, Ivanovo, Irkutsk, Perm and Tyumen regions.

Shareholders

As at 31 December 2014 and 2013, the following shareholders owned the shares of the Bank:

Shareholders of the first level	31 December 2014 %	31 December 2013 %
Alivikt Holdings Limited	51.20	52.95
East Capital Financial Fund AB	19.28	19.93
BlueCrest Emerging Markets Master Fund Limited	7.68	7.94
Rekha Holdings Limited	6.98	7.22
Burmash Holdings Limited	6.28	6.50
Haggard Finanacials Limited	5.28	5.46
Treasury account of issuer	3.30	-
Total	**100.00**	**100.00**

Ultimate shareholders of the Bank	31 December 2014 %	31 December 2013 %
S.L. Leontiev	40.15	29.80
Funds advised by East Capital International AB	19.28	19.93
A.D. Zheleznyak	11.05	11.43
Funds advised by RenFin Fund	7.68	7.94
Funds advised by BlueCrest Capital Management (UK) LLP	6.98	7.22
Funds advised by Argo Capital Management Ltd	6.28	6.50
E.V. Panteleev	5.28	5.46
Treasury account of issuer	3.30	-
E.V. Bikmaev	-	11.72
Total	**100.00**	**100.00**

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Management Board on 15 April 2015.

Other basis of presentation criteria

The Group for the year ended 31 December 2014 has generated a loss after tax of RUR 3,044,809 thousand. However as seen in the Note 43 the Group has a positive cumulative liquidity position for the period up to 1 year. The Group has also during the current year generated net cash inflow from operating activities of RUR 10,723,145 thousand and as disclosed in Note 35 the Group has improved it's capital ratio from 12.22% to 12.50%. During 2015 the Group will implement a number of initiativies which will enable the Group to return to profitability. Therefore management believe it is appropriate to prepare these consolidated financial statements on a going concern basis as the Group will continue in operation for the foreseeable future.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS). These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its statement of financial position broadly in order of liquidity, details are presented in Note 43.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUR"). Management has determined the Group's functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group.

The RUR is also the Group's presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, including those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Held to maturity financial assets

The Group management has reviewed the Group's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held to maturity financial assets is RUR 6,978,401 thousand. Details of these assets are set out (see Note 20).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Impairment of loans and receivables</u>

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2014 and 2013, the gross loans and receivables totaled RUR 90,599,017 thousand and RUR 83,347,050 thousand, respectively, and allowance for impairment losses amounted to RUR 14,258,351 thousand and RUR 9,356,304 thousand, respectively.

Valuation of financial instruments

Note 41 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was RUR 252,676 thousand.

Property and equipment carried at revalued amounts

Certain property (buildings) is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The carrying value of revalued property amounted to RUR 3,099,573 thousand and RUR 1,914,298 thousand as at 31 December 2014 and 2013, respectively. Refer to Note 21 for the key assumptions applied in valuation of property.

Development property

Development property is measured at net realizable value. The date of the latest appraisal was 31 December 2014. The net realizable value of development property amounted to RUR 741,989 thousand and RUR 2,650,974 thousand as at 31 December 2014 and 2013, respectively. As at 31 December 2014, the Group has recognized impairment of development property in the amount of RUR 437,552 thousand.

Investment property carried at revalued amounts

Land included in Investment property is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The fair value of investment property amounted to RUR 1,631,739 thousand and RUR 1,224,473 thousand as at 31 December 2014 and 2013, respectively. Refer to Note 23 for the key assumptions applied in valuation of property.

Recoverability of deferred tax assets

The management of the Group decided to recognise a valuation allowance against deferred tax assets as at 31 December 2014, details are presented in Note 15. The carrying value of deferred tax assets amounted to RUR 2,818,373 thousand and RUR 1,181,406 thousand as at 31 December 2014 and 2013, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total other comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Acquisition of companies under common control

The acquisition of controlling interests in entities under common control of the Group's shareholders is reported in the Group's financial statements as at the date of transfer of control to the Group. The acquired assets and liabilities are recognized at the previous carrying amount, at which they were recognized in the separate financial statements of the acquiree. The difference between the net assets acquired and consideration paid for the companies is taken directly to the Group's equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the statement of financial position.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognized immediately in profit or loss.

Non-controlling interest

Non-controlling interest is that part of profit or loss, other comprehensive income and net assets, of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Bank.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interest in profit or loss and other comprehensive income is separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. As at 31 December 2014, the official Central Bank of the Russian Federation ("the CBRF") foreign exchange rates used for translation of balances in foreign currencies were 56.2584 RUR/USD and 68.3427 RUR/EUR (31 December 2013: 32.7292 RUR/USD and 44.9699 RUR/EUR).

Cash and cash equivalents

Cash and cash equivalents include cash and nostro accounts with the CBRF, nostro accounts with banks, as well as placements with banks with original maturity less than 90 days, except for security deposits for operations with plastic cards and the Russian Government. For the purposes of the consolidated statement of cash flows, the minimum reserve deposit with the CBRF is not considered to be a cash equivalent due to restrictions on its withdrawability.

Mandatory cash balances with the Central Bank of the Russian Federation ("the CBRF")

Mandatory cash balances with the CBRF represent the amount of obligatory reserves deposited with the CBRF in accordance with requirements established by the CBRF. Mandatory cash balances with the CBRF are subject to restrictions on its availability, therefore for purposes of determining cash flows, the minimum reserve deposit required by the CBRF is not included as a cash equivalent. The Bank is required to maintain the minimum reserve deposit with the CBRF on a constant basis.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments(except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- The Group intends to sell immediately or in the near term;
- The Group upon initial recognition designates as at fair value through profit or loss;
- The Group upon initial recognition designates as available-for-sale; or
- The Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of the fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of the at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that has a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 41.

Other financial liabilities

Other financial liabilities, including depository instruments with the CBRF, deposits by banks and customers, debt securities issued, other borrowed funds and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- Loans and receivables which are measured at amortized cost using the effective interest method;
- Held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost, less impairment.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognized immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognized over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- A gain or loss on an available-for-sale securities is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to available-for-sale securities is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

The Group uses derivative financial instruments to manage currency risk and liquidity risk for the purposes of trading. Derivative financial instruments include forward and future contracts on operations with foreign exchange and securities.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in profit or loss.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange helps ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Bank provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognized as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on an item of land or buildings is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized directly in equity.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Equipment	3 to 5 years
Fixtures and fittings	4 to 5 years
Motor vehicles	4 to 5 years

Depreciation methods, useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licences	5 to 10 years
Purchased and developed software	5 years

Amortisation methods useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Development Property

Development Property is initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the Development Property to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognized in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Impairment

Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the Group.

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate.

Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

Collective impairment

In assessing collective impairment the Group uses statistical models of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale securities

Impairment losses on available-for-sale securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Assets acquired in exchange for loans

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held for sale and reported in 'Other assets' if the carrying amounts of the assets are recovered principally through sale, the assets are available for sale in their present condition and their sale is highly probable. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognized in the consolidated statement of profit or loss and other comprehensive income, in 'Other operating income'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognized in 'Other operating income', together with any realized gains or losses on disposal.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss and other comprehensive income in the period of recovery.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Effective from July 1, 2008, the Group was permitted to reclassify, in certain circumstances, non—derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Share capital

Share capital and share premium

Share capital comprises the nominal amount of the Group's shares fully paid by the shareholders adjusted for the effect of hyperinflation.

Share premium is the amount by which contributions to share capital exceeds the nominal value of the shares issued adjusted for the effect of hyperinflation.

Treasury shares

Where the Group or other members of the Group purchase the Group's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from total shareholder's equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholder's equity.

Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity.

Dividend income

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation (income tax)

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Taxation (other taxes)

The Russian Federation also has various other taxes not based on income, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Retirement and other benefit obligations

In accordance with the requirements of the Russian Federation legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation, which transfers them to pension funds selected by employees.

Income and expense recognition

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;
- Fair value changes in qualifying derivatives.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net gain on financial assets and liabilities at fair value through profit or loss.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net gain on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Fees and commission

Net fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Dividends

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

Revenue from disposal of development properties

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized from the disposal of development properties in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognized at the fair value of the consideration received or receivable on legal completion.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- 'Revaluation surplus for property and equipment' which comprises the portion of the gain or loss on the revaluation of land and buildings;
- 'Revaluation reserve for available-for-sale securities' which comprises changes in fair value of available-for-sale investments.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements. In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*.

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*. The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

These amendments do not have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

There is no effect of these amendments on the consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*. The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*. These amendments affect disclosures only which are presented in the Note 41.

Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting.* These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. There is no effect of these amendments on these financial statements as the Group does not apply hedge accounting.

IFRIC 21 *Levies.* The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognized when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*[1];
- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- IFRS 14 *Regulatory Deferral Accounts*[2];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[2];
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*[2];
- Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*[2];
- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*[2];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2];
- IFRS 15 *Revenue from Contracts with Customers*[3];
- IFRS 9 *Financial Instruments*[4].

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions.* The amendments to IAS 19 *Employee Benefits* clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. The Group's management does not expect any impact of these amendments on the financial statements as the Group's does not have defined benefit plans.

IFRS 14 *Regulatory Deferral Accounts.* IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may not have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 *Financial Instruments.* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations.* The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation.* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants.* The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41. The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements.* The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle. The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34.
The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

4. REPRESENTATION

In 2012 the Group's Management and the Board of Directors approved a plan to separate its subsidiaries OJSC Bank24.ru, CJSC Bank Poidem! and LLC "Development Plus" into a parallel holding entity structure. The purpose of this transaction was to separate the more entrepreneurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

The separation was expected to be completed during 2014. On 30 June 2014, the Group sold its shares of OJSC Bank24.ru. In August 2014 the Group's Management decided to terminate the further separation and account for CJSC Bank Poidem! and LLC "Development Plus" as part of the Group's continuing operations. The decision to terminate the separation was made due to the unstable situation in the market and downturn in the Russian economy. The Group has represented its comparative consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013. Represented comparative information is presented below:

Consolidated Statement of Profit or Loss	**As previously reported**	**Adjustment**	**As represented**
Interest income	24,405,311	6,454,464	30,859,775
Interest expense	(9,420,213)	(1,006,677)	(10,426,890)
Net interest income	**14,985,098**	**5,447,787**	**20,432,885**
Fee and commission income	5,362,243	116,054	5,478,297
Fee and commission expense	(548,006)	(22,738)	(570,744)
Net fee and commission income	**4,814,237**	**93,316**	**4,907,553**
Net loss on financial assets and liabilities at fair value through profit or loss	(2,046,253)	-	(2,046,253)
Net foreign exchange gain	2,452,415	12,396	2,464,811
Net realized loss on available-for-sale securities	(1,507)	-	(1,507)
Other operating income	1,069,440	277,802	1,347,242
Other operating loss	(715,728)	-	(715,728)
Operating income before provision for impairment losses	**20,557,702**	**5,831,301**	**26,389,003**
Impairment losses	(4,747,407)	(1,705,531)	(6,452,938)
Change in fair value of investment property	(129,468)	-	(129,468)
General administrative expenses	(14,141,992)	(2,729,895)	(16,871,887)
Profit before tax	**1,538,835**	**1,395,875**	**2,934,710**
Income tax expense	(388,947)	(427,614)	(816,561)
Total profit for the period from continuing operations	**1,149,888**	**968,261**	**2,118,149**
Discontinued operations:			
Profit for the period from discontinued operations	**1,051,146**	**(968,261)**	**82,885**
Profit for the period	**2,201,034**	**-**	**2,201,034**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities, net of tax	(237)	-	(237)
Net amount of fair value of available-for-sale securities transferred to profit or loss, net of tax	597	-	597
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property and equipment, net of tax	162,726	-	162,726
Other comprehensive income	**163,086**	-	**163,086**
Total comprehensive income	**2,364,120**	**-**	**2,364,120**

Consolidated Statement of Profit or Loss	As previously reported	Adjustment	As represented
Profit attributable to:			
Equity holders of the Bank	2,150,065	-	2,150,065
Non-controlling interest	50,969	-	50,969
Profit for the year	**2,201,034**	**-**	**2,201,034**
Total comprehensive income attributable to:			
Equity holders of the Bank	2,313,151	-	2,313,151
Non-controlling interest	50,969	-	50,969
Total comprehensive income for the year	**2,364,120**	**-**	**2,364,120**
Earnings per share			
From continuing and discontinued operations			
Basic and diluted (RUR)	**625.32**		**625.32**
From continuing operations			
Basic and diluted (RUR)	**334.61**		**616.04**

Reclassification

Certain reclassification have been made to the consolidated financial statement as at 31 December 2013 to conform to the presentation as at 31 December 2014 as during 2014 the Group has changed its classification of loans. The Group has redetermined the level of materiality for classification for individually significant loans, which are to be assessed for objective evidence of impairment on an individual base. The loans which are lower than this revised level of materiality, are reclassified to the category "small and medium size borrowers" which are collectively assessed for impairment on a portfolio bases. The loan portfolio as of 31 December 2013 restated accordingly. Represented comparative information is presented below:

	As previously reported	Adjustment	As represented
Loans to large corporates			
Loans to large corporates	13,648,269	(6,153,728)	7,494,541
Loans to small and medium size companies	4,185,112	(4,185,112)	-
Total loans to large corporates	**17,833,381**	**(10,338,840)**	**7,494,541**
Financing receivables	6,908,800	-	6,908,800
Total financing receivables	**6,908,800**	**-**	**6,908,800**
Loans to small and medium size borrowers			
Consumer loans	30,452,760	-	30,452,760
Credit cards	6,152,159	-	6,152,159
Car loans	47,024	-	47,024
Other	6,270,336	10,338,840	16,609,176
Total loans to small and medium size borrowers	**42,922,279**	**10,338,840**	**53,261,119**
Gross loans to customers	**67,664,460**	**-**	**67,664,460**
Impairment allowance	(8,125,253)	-	(8,125,253)
Net loans to customers	**59,539,207**	**-**	**59,539,207**

5. ANALYSIS BY SEGMENT

The assets and liabilities of the disposal group of subsidiaries are presented below as discontinued operations classified as held for sale.

The Group now has eight reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Retail business division (RBD). The main activities of this division are all types of lending to individuals, investments, cash transfers, maintenance of safety deposit boxes, plastic cards and credit cards.
- Corporate business division (CBD) services companies with annual revenue from US 5 million dollars to US 100 million dollars. This division implements the principle of business management by portfolios. The division is structured by client segments. Subdivisions specialize in maintenance of special groups of clients.
- Small and medium size business division (SMBD) is organized into three main subdivisions: Small-size business, Medium-size business and Leasing. The main activities of Small-size business subdivision are express loans origination and cash and settlement operations with entrepreneurs and small-size entities whose annual revenue does not exceed US 1.5 million dollars. The main activities of the Medium-size business subdivision are loan origination to entities of larger size with total number of employees about 50 and annual revenue about US 3 million dollars. Leasing subdivision maintains all types of clients: large companies, as well as small-size entities that are mainly customers in respect of express leasing and express auto leasing.
- CJSC National Savings Bank is providing loans to individuals of the budgetary sector of the economy. On 21 April 2014, the Group obtained managerial control over OJSC CB "Solidarnost". Solidarnost specializes in retail and corporate banking in Samara region. The Group decided to merge CJSC National Savings Bank and OJSC CB "Solidarnost" in to one operational unit.
- Financial division is specialized in management of investments in financial instruments such as financial assets at fair value through profit and loss and available for sale securities, cash and cash equivalents, placements and borrowings with financial institutions and manages mandatory cash balances with the CBRF.
- Property development and investment division is specialized in investments in construction and investment property.
- Consumer finance and a limited number of other financial retail products is specialized in providing retail and express loans to individuals within one hour. In this segment are included the business of OJSC Bank "Poidem!".
- Discontinued operations included – Bank 24.ru which offered twenty-four-hour banking services to small and medium size business and individuals. This business unit included CMIF "Perspectivnaya Nedvijimost", the entity which holds title to the premises of Bank 24.ru.

Information regarding the results of each segment is included below. Performance is measured based on segment profit before tax as included in the internal management reports reviewed by the CEO.

Segment profit is used to measure performance as the CEO believes that such information is the most relevant in evaluating the result of each segment.

Segment breakdown of assets and liabilities of the Group is set out below:

	2014 RUR'000	2013 RUR'000
ASSETS		
Retail business division	26,486,301	30,959,458
Corporate business division	24,308,065	19,077,054
Solidarnost and CJSC National Savings Bank	16,380,727	2,136,762
Poidem!	14,037,915	-
Small and medium size business division	5,001,927	8,782,208
Financial division	89,905,773	70,860,660
Property development and investment division	2,373,728	3,875,447
Unallocated assets	9,082,722	5,257,734
	187,577,158	**140,949,323**
Assets of discontinued operations		
Poidem!	-	19,223,740
Bank 24.ru	-	11,432,573
Total assets	**187,577,158**	**171,605,636**
LIABILITIES		
Retail business division	76,400,785	63,520,196
Corporate business division	13,814,575	16,460,045
Small and medium size business division	14,169,068	19,913,423
Solidarnost and CJSC National Savings Bank	13,808,814	1,762,094
Poidem!	11,801,531	-
Financial division	39,744,664	11,456,692
Property development and investment division	-	5,474,928
Unallocated liabilities	2,591,388	8,710,783
	172,330,825	**127,298,161**
Liabilities associated with assets of discontinued operations		
Poidem!	-	16,819,454
Bank 24.ru	-	10,130,812
Total liabilities	**172,330,825**	**154,248,427**

Segment information for the main reportable business segments of the Group for the year ended 31 December 2014 is set below:

	Continuing operations							Discontinued operations		
	Retail business division	Corporate business division	Small and medium size business division	Solidarnost and CJSC National Savings Bank	Poidem!	Financial division	Property development and investment division	Bank 24.RU	Unallocated	Total
Interest income	12,453,680	2,570,552	1,835,695	2,519,207	4,754,443	2,090,756	143,689	208,288	-	26,576,310
Interest expense	(4,768,031)	(788,000)	(99,016)	(852,391)	(1,536,616)	(1,657,248)	(461,915)	(13,896)	-	(10,177,113)
Net revenue from other segments	3,930,239	447,903	353,097	(154,771)	-	(4,576,468)	-	-	-	-
Net interest income before provision for impairment	**11,615,888**	**2,230,455**	**2,089,776**	**1,512,045**	**3,217,827**	**(4,142,960)**	**(318,226)**	**194,392**	**-**	**16,399,197**
Impairment losses	(3,413,975)	(1,772,503)	(531,048)	(794,205)	(1,338,691)	(2,703,126)	(437,552)	14,509	-	(10,976,591)
Net interest income after provision for impairment	**8,201,913**	**457,952**	**1,558,728**	**717,840**	**1,879,136**	**(6,846,086)**	**(755,778)**	**208,901**	**-**	**5,422,606**
Non-interest income	3,493,531	1,015,292	1,806,428	274,109	680,635	1,360,382	(103,647)	906,766	-	9,413,496
Revaluation of investment property	-	-	-	-	-	-	(187,269)	-	-	(187,269)
General administrative expenses	(9,009,750)	(704,579)	(2,878,890)	(1,082,139)	(2,114,358)	(315,530)	(82,789)	(915,415)	(1,215,103)	(18,318,553)
Segment result	**2,685,694**	**768,665**	**486,266**	**(90,190)**	**425,413**	**(5,801,234)**	**(1,129,483)**	**200,252**	**(1,215,103)**	**(3,669,720)**

Depreciation and amortization of property, equipment and intangible assets and capital expenditures have not been allocated within the main reportable business segments of the Group. For the period ended 31 December 2014, depreciation and amortization expenses amount to RUR 1,173,000 thousand (31 December 2013: RUR 846,577 thousand). Capital expenditures allocated to those reportable businesses segments which have ordered such expenditures. Major part of external revenue is interest income of the Group which was RUR 26,368,022 thousand for the year ended 31 December 2014 (31 December 2013: 30,859,775 thousand).

Segment information for the main reportable business segments of the Group for the year ended 31 December 2013 is set below:

	Continuing operations						Discontinued operations			
	Retail business division	Corporate business division	Small and medium size business division	CJSC National Savings Bank	Financial division	Property development and investment division	Poidem!	Bank 24.RU	Unallocated	Total
Interest income	14,811,770	3,170,660	3,262,512	683,957	2,275,099	201,313	5,930,737	783,214	-	31,119,262
Interest expense	(5,988,839)	(1,061,463)	(366,883)	(155,064)	(1,199,077)	(1,016,827)	(989,943)	(56,555)	-	(10,834,651)
Net revenue from other segments	3,154,317	(560,143)	(209,881)	16,019	(2,400,312)	-	-	-	-	-
Net interest income before provision for impairment	**11,977,248**	**1,549,054**	**2,685,748**	**544,912**	**(1,324,290)**	**(815,514)**	**4,940,794**	**726,659**	-	**20,284,611**
Impairment losses	(3,167,698)	(417,597)	(686,957)	(421,770)	(8,828)	(44,557)	(1,627,070)	(73,068)	-	(6,447,545)
Net interest income after provision for impairment	**8,809,550**	**1,131,457**	**1,998,791**	**123,142**	**(1,333,118)**	**(860,071)**	**3,313,724**	**653,591**	-	**13,837,066**
Non-interest income	3,251,409	1,384,123	2,071,773	107,914	(891,123)	17,045	369,368	1,293,451	-	7,603,960
Revaluation of investment property	-	-	-	-	-	(129,468)	-	-	-	(129,468)
General administrative expenses	(8,371,248)	(952,136)	(3,000,008)	(208,800)	(361,935)	(273,440)	(2,657,052)	(1,474,583)	(974,426)	(18,273,628)
Segment result	**3,689,711**	**1,563,444**	**1,070,556**	**22,256**	**(2,586,176)**	**(1,245,934)**	**1,026,040**	**472,459**	**(974,426)**	**3,037,930**

The Group operates in the Russian Federation. There is no geographical allocation of revenue and assets due to the fact that the Group operates in one country.

6. NET INTEREST INCOME

	2014 RUR'000	2013 RUR'000
Interest income		
Loans to customers	23,625,823	28,713,141
Held-to-maturity investments	378,256	15,375
Placements with banks and other financial institutions	328,662	251,035
Amounts receivable under reverse repurchase agreements	13,515	53,187
Interest income on financial assets recorded at amortized cost	**24,346,256**	**29,032,738**
Financial instruments at fair value through profit or loss	2,021,766	1,827,037
	26,368,022	**30,859,775**
Interest expense		
Customer accounts	7,781,759	8,921,359
Deposits and balances from banks and other financial institutions	1,278,226	412,923
Debt securities issued	497,042	728,806
Amount payable under repurchase agreements	343,895	92,299
Subordinated debt	209,603	176,911
Other borrowed funds	52,692	94,592
Interest expense on financial liabilities recorded at amortized cost	**10,163,217**	**10,426,890**

For the year ended 31 December 2014, interest accrued on individually impaired loans to customers and placements with banks and other financial institutions amount to RUR 511,640 thousand (31 December 2013: RUR 779,773 thousand).

7. FEE AND COMMISSION INCOME

	2014 RUR'000	2013 RUR'000
Settlement fees	3,457,939	2,786,711
Cash operations fees	964,966	1,218,453
Plastic card fees	904,739	224,218
Guarantee issuance fees	499,036	687,530
Documentary operations fees	145,351	28,798
Bank-customer services fees	123,236	89,911
Brokerage fees	121,160	115,067
Foreign exchange fees	101,113	104,599
Other	123,396	223,010
	6,440,936	**5,478,297**

8. FEE AND COMMISSION EXPENSE

	2014 RUR'000	2013 RUR'000
Plastic card fees	255,763	207,278
Settlement fees	206,282	114,332
Cash operations fees	96,473	78,279
Brokerage fees	54,695	34,326
Documentary operations	30,481	43,980
Fees for guarantees received	23,749	30,356
Commissions on short term borrowings	23,433	19,919
Foreign exchange fees	5,580	10,083
Other	37,595	32,191
	734,051	**570,744**

9. NET LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 RUR'000	2013 RUR'000
Equity instruments	151,538	619,066
Debt instruments	(5,695,145)	(2,665,319)
	(5,543,607)	**(2,046,253)**

10. NET FOREIGN EXCHANGE GAIN

	2014 RUR'000	2013 RUR'000
Net gain from revaluation of financial assets and liabilities	5,167,926	466,245
Gain on spot transactions	2,234,227	1,998,566
	7,402,153	**2,464,811**

11. OTHER OPERATING INCOME

	2014 RUR'000	2013 RUR'000
Agent commissions on insurance contracts	1,135,521	1,113,631
Fines/penalties received	126,179	94,462
Gain on disposal of property and equipment	39,102	33,070
Income on property lease	31,371	4,496
Write-off of accounts payable	5,917	2,777
Other	95,814	98,806
	1,433,904	**1,347,242**

12. OTHER OPERATING EXPENSE

	2014 RUR'000	2013 RUR'000
Loss on disposal of development property	103,647	518,500
Loss on disposal of investment property	-	197,228
	103,647	**715,728**

13. IMPAIRMENT LOSSES

	2014 RUR'000	2013 RUR'000
Charge for provision for impairment		
Loans to customers	9,682,203	6,461,019
Financial guarantees	493,797	-
Development property	437,552	-
Other assets	67,465	44,647
Available-for-sale securities	41,776	8,828
Placements with banks and other financial institutions	41,122	-
Legal claims	37,610	-
Property and equipment and intangible assets	189,575	-
	10,991,100	**6,514,494**
Reversal of provision for impairment		
Property and equipment and intangible assets	-	(58,996)
Financial guarantees	-	(2,560)
	-	**(61,556)**
Net provision for impairment losses	**10,991,100**	**6,452,938**

14. GENERAL ADMINISTRATIVE EXPENSES

	2014 RUR'000	2013 RUR'000
Salary and bonuses	7,561,002	7,514,249
Payroll related taxes	1,921,391	1,841,802
Occupancy costs	1,675,507	1,606,352
Depreciation and amortization of property, equipment and intangible assets	1,140,827	913,507
Taxes other than income tax	652,333	515,274
Advertising expenses	609,907	562,547
Telecommunication services	554,744	495,673
IT, vehicle maintenance and information services	474,235	348,091
Property and equipment maintenance	421,487	546,773
Deposit insurance system payments	357,294	358,486
Software acquisition and support	276,846	426,663
Materials and office supplies	270,654	255,577
Business trip expenses	240,618	335,881
Security	194,258	156,792
Entertainment	74,623	74,906
Professional services	40,610	152,061
Insurance	40,327	55,639
Loss on disposal of property, equipment and intangible assets	-	66,150
Fines paid	27,228	18,374
Other	869,247	627,090
	17,403,138	**16,871,887**

15. INCOME TAX EXPENSE

	2014 RUR'000	2013 RUR'000
Current tax expense		
Current year	(577,273)	(1,145,816)
	(577,273)	**(1,145,816)**
Deferred tax expense		
Origination and reversal of temporary differences	995,302	329,255
Deferred tax asset not recognized	(87,510)	-
Total income tax benefit/(expense)	**330,519**	**(816,561)**

The applicable tax rate for current tax is 20% (2013: 20%). The Group applied 20% deferred tax rate (2013: 20%).

Reconciliation of effective tax rate:

	2014 RUR'000	%	2013 RUR'000	%
(Loss)/profit before tax	**(3,470,085)**		**2,934,710**	
Income tax at the applicable tax rate	(694,017)	(20.0%)	586,942	20.0%
Permanent differences	148,857	4.3%	243,016	8.3%
Income tax at different tax rates	127,131	3.7%	(13,397)	(0.5%)
Deferred tax asset not recognized	87,510	2.5%	-	-
Total income tax benefit/(expense)	**(330,519)**	**(9.5%)**	**816,561**	**27.82%**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2014 and 2013. These deferred tax assets have been recognized in these consolidated financial statements.

The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Balance 1 January 2014	Transfers from assets of discontinued operations classified as held for sale	Acquisition of subsidiary (Note 46)	Recognized in profit for the period	Change in deferred tax asset not recognized	Recognized in equity	Balance 31 December 2014
Placements with banks and other financial institutions	18,105	18,000	10,196	(59,890)	-	-	(13,589)
Financial instruments at fair value through profit or loss (assets)	221,127	14,177	73,764	(672,024)	-	-	(362,956)
Amounts receivable under reverse repurchase agreements	-	-	-	173,719	-	-	173,719
Loans to customers	386,663	41,602	371,613	801,383	-	-	1,601,261
Available-for-sale securities	155	-	-	-	-	(155)	-
Property and equipment and intangible assets	(124,810)	(19,167)	35,443	(187,369)	-	34,249	(261,654)
Development property	-	-	-	87,510	(87,510)	-	-
Investment property	67,024	5,931	2,912	145,689	-	-	221,556
Other assets	201,072	44,274	24,407	518,472	-	-	788,225
Financial instruments at fair value through profit or loss (liabilities)	27,243	-	-	33,272	-	-	60,515
Deposits and balances from banks and other financial institutions	2	-	-	-	-	-	2
Current accounts and deposits from customers	9,090	277	-	2,846	-	-	12,213
Debt securities in issue	7,823	-	-	100,687	-	-	108,510
Other borrowed funds	(5,403)	-	-	2,365	-	-	(3,038)
Other liabilities	373,315	55,329	16,323	48,642	-	-	493,609
	1,181,406	160,423	534,658	995,302	(87,510)	34,094	2,818,373

RUR'000	Balance 1 January 2013	Recognized in profit for the period from continued operations	Recognized in equity	Balance 31 December 2013
Placements with banks and other financial institutions	(8,008)	26,113	-	18,105
Financial instruments at fair value through profit or loss (assets)	214,915	6,212	-	221,127
Loans to customers	323,817	62,846	-	386,663
Available-for-sale securities	245	-	(90)	155
Property and equipment and intangible assets	(178,084)	84,970	(31,696)	(124,810)
Investment property	31,524	35,500	-	67,024
Other assets	182,691	18,381	-	201,072
Financial instruments at fair value through profit or loss (liabilities)	19,051	8,192	-	27,243
Deposits and balances from banks and other financial institutions	2	-	-	2
Current accounts and deposits from customers	2,442	6,648	-	9,090
Debt securities in issue	(5,614)	13,437	-	7,823
Other borrowed funds	(7,801)	2,398	-	(5,403)
Other liabilities	308,757	64,558	-	373,315
	883,937	**329,255**	**(31,786)**	**1,181,406**

Income tax recognized in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

RUR'000	2014 Amount before tax	2014 Tax benefit	2014 Amount net-of-tax	2013 Amount before tax	2013 Tax expense	2013 Amount net-of-tax
Net change in fair value of available-for-sale securities	-	-	-	(296)	59	(237)
Disposal of available-for-sale securities revalued in prior periods	772	(155)	617	746	(149)	597
Revaluation of property and equipment	(165,110)	33,022	(132,088)	203,407	(40,681)	162,726
Other comprehensive income	**(164,338)**	**32,867**	**(131,471)**	**203,857**	**(40,771)**	**163,086**

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2014 RUR'000	2013 RUR'000
NOT IMPAIRED OR PAST DUE		
Nostro accounts		
Rated from AA- to AA+	1,255	366,225
Rated A- to A+	1,833,792	1,800,725
Rated BBB	170,908	1,252,331
Rated from BB- to BB+	2,753,196	58,120
Not rated	12,536,211	11,214,091
Total nostro accounts	**17,295,362**	**14,691,492**
Loans and deposits		
Rated from AA- to AA+	2,812,920	1,636,460
Rated BBB	500,001	2,157,070
Rated below B+	-	15,000
Not rated	2,510,766	1,105,023
Total loans and deposits	**5,823,687**	**4,913,553**
IMPAIRED OR PAST DUE		
Loans to banks	41,973	851
Provision for impairment	(41,973)	(851)
Net impaired loans to Russian banks	**-**	**-**
	23,119,049	**19,605,045**

As at 31 December 2014, impaired placements with banks and other financial institutions comprise placements with banks and other financial institutions overdue for more than 1 year amounted to RUR 41,973 thousand (31 December 2013: RUR 851 thousand).

As at 31 December 2014 and 2013, included in balances due from banks are guarantee deposits placed by the Group for its operations with credit cards totaling RUR 639,223 thousand and RUR 371,461 thousand, respectively.

Not rated placements with banks and other financial institutions are not considered to be impaired by the risk management of the Group as such financial institutions have low credit risk with no past due history and well performing businesses.

Concentration of placements with banks

As at 31 December 2014 and 2013, the Group had two counterparties, whose balances individually exceeded 10% of the Group's equity. The gross value of these balances as at 31 December 2014 and 2013 were RUR 5,395,194 thousand and RUR 2,949,386 thousand, respectively.

Analysis of movements in the impairment allowance

	2014 RUR'000	2013 Restated (Note 4) RUR'000
Balance at the beginning of the year	851	851
Provisions	41,122	-
Balance at the end of the year	**41,973**	**851**

17. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 RUR'000	2013 RUR'000
ASSETS		
Debt and other fixed-income instruments		
Government and municipal bonds		
External bonds of of Russian Federation RF-30	9,293,494	5,310,365
External bonds of Russian Federation RF-28	3,519,070	2,407,760
External bonds of Russian Federation RF-42	2,779,089	957,345
Ministry of Finance RF OFZ-26206	2,488,748	5,331,460
Ministry of Finance RF OFZ-26208	1,907,100	1,207,368
USDPE 2020 United States Department of the Treasury eurobonds	1,741,415	-
Ministry of Finance RF OFZ-25079	1,722,902	964,896
External bonds of Russian Federation RF-22	1,532,641	1,022,075
USDPE 2020 United States Department of the Treasury eurobonds	1,171,862	-
Ministry of Finance RF OFZ-26210	967,405	621,428
Ministry of Finance RF OFZ-26205	813,125	703,735
Ministry of Finance RF OFZ-25080	785,218	5,255,308
Ministry of Finance RF OFZ-26211	773,511	-
Ministry of Finance RF OFZ-26207	662,046	1,364,824
Ministry of Finance RF OFZ-25077	656,546	-
Ministry of Finance RF OFZ-26203	439,587	-
Ministry of Finance RF OFZ-46021	385,627	429,283
Ministry of Finance RF OFZ-26204	253,011	-
Ministry of Finance RF OFZ-26209	231,485	1,210,435
Government bonds of Nizshegorodskiy region	152,779	-
Ministry of Finance RF OFZ-26212	133,678	-
Bonds of Novosibirsk region administration NSIBO-34005	92,822	-
Ministry of Finance RF OFZ-46017	91,192	803,650
Ministry of Finance Samara Region bonds MSFOO-35007	19,464	-
Government bonds of Sverdlov region	19,308	1
Bonds of Krasnoyarsk region administration KRKRO-34005	14,190	-
Ministry of Finance RF OFZ-25076	-	2,839,673
External bonds of Russian Federation RF-2018-2	-	2,577,513
USDPE 2015-08 United States Department of the Treasury eurobonds	-	527,666
Ministry of Finance RF OFZ-26210	-	420,708
USDPE 2015-03 United States Department of the Treasury eurobonds	-	295,088
Total government and municipal bonds	**32,647,315**	**34,250,581**
Debt securities of companies and banks		
GBP Eurobond Finance GBPEE-2017	1,406,432	972,134
VTB Capital Plc Eurobonds	1,240,011	911,433
SB Capital SA SBCLE-2022 Eurobonds	967,137	638,806
VEB Finance Plc Eurobonds	526,503	414,433
BANQUE EUROPEENNE D'INVESTISSEMENT-BEI/EIB EIBEE-2015	227,548	133,571
Bonds of CB "Rossiyskiy Capital" (OJSC)	194,282	-
Bonds of OJSC "Rosselkhozbank"	186,935	-
Bonds of OJSC "Gazprombank"	186,771	-
Bonds of OJSC "Bank VTB"	97,079	-
Bonds of OJSC "Transneft"	90,099	-
Bonds of OJSC "GTLK"	61,706	-
Bonds of OJSC "Tatfondbank"	50,792	-
Bonds of OJSC "Rosbank"	50,108	-
Bonds of LLC "Akron"	49,905	-
Bonds of OJSC "Megafon"	49,121	-
Bonds of Vnesheconombank	48,461	-
Bonds of AK "ALROSA" CJSC	48,148	-
OJSC "Moscovskiy Credintiy Bank"	41,125	-
Bonds of OJSC "RZD"	37,155	-
VTBEE-2022 Eurobonds VTB Eurasia Limited	8,144	-
Federal Grid Finance Ltd bonds FGFLE-2019	-	406,477
AHML Finance Limited Eurobonds AHMLE-2018	-	382,665

	2014 RUR'000	2013 RUR'000
INTER AMERICAN DEVELOPMENT BANK Eurobonds IADBE-2018	-	247,269
KREDITANSTALT FUR WIEDERAUFBAU Eurobonds KRFWE-2019	-	223,966
NV BANK NEDERLANDSE GEMEENTEN Eurobonds BNGBE-2023	-	219,071
Asian Development Bank Eurobonds ASINE-2019	-	162,635
BANQUE EUROPEENNE D'INVESTISSEMENT-BEI/EIB EIBEE-2020	-	116,805
Other	431	3
Total debt securities of companies and banks	**5,567,893**	**4,829,268**
Equity securities		
OJSC Sberbank RF	170,118	41
Apple Inc.	-	1,308,953
OJSC RN Holding (TNK PB Holding)	-	19,817
Mobilniye telesistemy	-	4,946
Cherepovetskiy MK Severstal	-	4,313
OJSC "Bank VTB"	-	10
Other	225	176
Total equity securities	**170,343**	**1,338,256**
Derivative financial instruments		
Foreign currency contracts	4,327,720	23,672
Securities contracts	30,097	12,951
Index contracts	-	171,355
Other	-	1,894
Total derivative financial instruments	**4,357,817**	**209,872**
Total financial instruments at fair value through profit or loss	**42,743,368**	**40,627,977**
LIABILITIES		
Derivative financial instruments		
Securities contracts	(16,584)	-
Liabilities for sale of securities	-	(1,311,503)
Foreign currency contracts	(212,843)	(63,065)
	(229,427)	**(1,374,568)**

As at 31 December 2014 and 2013, financial assets at fair value through profit or loss include Russian Government Federal bonds with nominal interest rates in the range 5.63%-9.85% and maturity in 2015-2042 and 4.50%-12.75% with maturity in 2014-2042, respectively. As at 31 December 2014, and 2013 financial assets at fair value through profit or loss include debt securities of companies and banks with nominal interest rates in the range 1.38%-12.25% with maturity in 2015-2022 and 1.38%-8.60% with maturity in 2015-2023, respectively.

As at 31 December 2014 and 2013, financial assets at fair value through profit or loss in the amount of RUR 5,584,839 thousand and RUR 1,311,503 thousand, respectively, were pledged as collateral for liabilities for sale of securities (Note 27).

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2014 and 2013 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates preventing at the reporting date. The resulting unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2014 RUR'000	2013 RUR'000	2014 RUR'	2013 RUR
Buy RUR sell USD Less than three months	25,370,962	-	66.4783	-
Buy RUR sell USD Less than one month	6,161,007	18,270,705	57.2807	32.7433
Buy EUR sell USD Less than three months	5,125,703	626,431	1.2250	1.3756
Buy RUR sell USD Less than one month	3,891,156	-	58.0849	-
Buy EUR sell USD Less than one month	1,025,141	-	1.2187	-
Buy USD sell RUR Less than one month	660,775	-	56.5335	-
Buy RUR sell EUR Less than three months	544,795	652,886	80.2951	45.0268
Buy RUR sell EUR Less than one month	456,188	-	70.4474	-
Buy EUR sell USD Less than one month	354,015	-	1.2200	-
Buy RUR sell EUR Less than on month	115,819	-	64.5596	-
Buy RUR sell EUR Less than one month	76,171	-	1.2187	
Buy RUR sell GBP Less than three months	4,305	-	86.1000	-
Buy USD sell RUR Less than one month	-	4,110,133	-	32.9963
Buy EUR sell RUR Less than one months	-	4,508,683	-	44.9579
Buy RUR sell CHF From three to six months	-	220,200	-	36.7000
Buy JPY sell RUR Less than three months	-	118,637	-	0.3500
Total	**43,786,037**	**28,507,675**		

Securities contracts

The Group's position and carrying amounts of securities contracts at 31 December 2014 and 2013 are presented below. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	2014 RUR '000			2013 RUR '000		
	Asset	**Liability**	**Net value**	**Asset**	**Liability**	**Net value**
Securities contracts						
Assets						
Forwards	2,589,582	(2,559,485)	30,097	5,167,219	(5,158,155)	9,064
Spots	-	-	-	2,280,611	(2,276,724)	3,887
	2,589,582	**(2,559,485)**	**30,097**	**7,447,830**	**(7,434,879)**	**12,951**
Liabilities						
Forwards	3,716,079	(3,732,663)	(16,584)	-	-	-
	3,716,079	**(3,732,663)**	**(16,584)**	**-**	**-**	**-**
Total securities contracts	**6,305,661**	**(6,292,148)**	**13,513**	**7,447,830**	**(7,434,879)**	**12,951**

The maturity of financial instruments at fair value through profit or loss is presented in Note 43, which shows the remaining period from the reporting date to the contractual maturity of Financial instruments at fair value through profit or loss.

18. AMOUNTS RECEIVABLE UNDER REVERSE REPURCHASE AGREEMENTS

	2014 RUR'000	2013 RUR'000
Amounts receivable under reverse repurchase agreements		
Other Russian Banks	1,000,614	6,440
Total amounts receivable under reverse repurchase agreements	**1,000,614**	**6,440**

Fair value of assets pledged and carrying value of amounts receivable under repurchase agreements as at 31 December 2014 and 2013:

	31 December 2014		31 December 2013	
	Fair value of collateral	**Carrying value of amounts receivable under reverse repurchase agreements**	**Fair value of collateral**	**Carrying value of amounts receivable under reverse repurchase agreements**
Corporate bonds	1,194,901	1,000,614	8,143	6,440
Total	**1,194,901**	**1,000,614**	**8,143**	**6,440**

The maturity of amounts receivable under repurchase agreements is presented in Note 43, which shows the remaining period from the reporting date to the contractual maturity of amounts receivable under repurchase agreements.

19. LOANS TO CUSTOMERS

	2014 RUR'000	2013 RUR'000
Loans to large corporates	19,935,404	7,494,541
Corporate bonds	5,825,629	-
Total loans to large corporates	**25,761,033**	**7,494,541**
Financing receivables	6,378,978	6,908,800
Total financing receivables	**6,378,978**	**6,908,800**
Loans to small and medium size borrowers		
Consumer loans	35,201,108	30,452,760
Credit cards	9,627,113	6,152,159
Car loans	49,322	47,024
Other	13,581,463	16,609,176
Total loans to small and medium size borrowers	**58,459,006**	**53,261,119**
Gross loans to customers	**90,599,017**	**67,664,460**
Impairment allowance	(14,258,351)	(8,125,253)
Net loans to customers	**76,340,666**	**59,539,207**

Movements in the loan impairment allowance for the year ended 31 December are as follows:

	2014 RUR'000	2013 RUR'000
Balance at the beginning of the year	8,125,253	6,333,232
Net charge for the year recognized in profit for the period from continuing operations	9,682,203	4,741,326
Loans written off during the year as uncollectible	(4,780,156)	(2,949,305)
Accumulated allowance transferred from assets of discontinued operations classified as held for sale	1,231,051	-
Balance at the end of the period	**14,258,351**	**8,125,253**

Loan impairment allowance by classes for the year ended 31 December 2014 and 2013 are as follows:

	2014 RUR'000	2013 RUR'000
Loans to large corporates	3,573,756	788,471
Loans to small and medium size borrowers	9,851,024	6,803,325
Financing receivables	833,571	533,457
Balance at the end of the reporting period	**14,258,351**	**8,125,253**

During 2014, the Group has changed its classification of loans. The Group has redetermined the level of materiality for classification for individually significant loans, which are to be assessed for objective evidence of impairment on an individual basis. The loans which are lower than this revised level of materiality, are reclassified to the category "small and medium size borrowers" which are collectively assessed for impairment on a portfolio basis. The loan portfolio as at 31 December 2013 was represented accordingly.

As at 31 December 2014, corporate bonds with the carrying amount of RUR 5,878 thousand (31 December 2013: zero) was represented by corporate bonds that are not quoted in an active market.

Credit rating	Currency	Nominal value	Interest rate %	Issue date	Maturity date	RUR'000
BBB	USD	50,000,000	3.5%	2014	2018	2,861,490
A-	USD	50,000,000	2.8%	2014	2019	2,964,139
Total private placements bonds						**5,825,629**

The following table provides information on the credit quality of the loans to large corporates portfolio as at 31 December 2014:

	Gross loans RUR'000	Allowance for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	14,304,475	(110,674)	14,193,801	0.77%
- Watch list loans	1,756,501	(10,836)	1,745,665	0.62%
Total loans for which no impairment has been identified	**16,060,976**	**(121,510)**	**15,939,466**	**0.76%**
Impaired loans:				
- not overdue	923,036	(571,834)	351,202	61.95%
- overdue less than 90 days	26,807	(22,477)	4,330	83.85%
- overdue more than 90 days and less than 1 year	136,725	(122,324)	14,401	89.47%
- overdue more than 1 year	2,787,860	(2,735,611)	52,249	98.13%
Total impaired loans	**3,874,428**	**(3,452,246)**	**422,182**	**89.10%**
Total loans to large corporates	**19,935,404**	**(3,573,756)**	**16,361,648**	**17.93%**

The following table provides information on the credit quality of the loans to large corporates portfolio legal entities portfolio as at 31 December 2013:

	Gross loans RUR'000	Allowance for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	5,065,996	(58,144)	5,007,852	1.15%
- Watch list loans	1,609,249	(18,828)	1,590,421	1.17%
Total loans for which no impairment has been identified	**6,675,245**	**(76,972)**	**6,598,273**	**1.15%**
Impaired loans:				
- not overdue	547,796	(448,419)	99,377	81.86%
- overdue less than 90 days	155,083	(146,663)	8,420	94.57%
- overdue more than 90 days and less than 1 year	93,533	(93,533)	-	100.00%
- overdue more than 1 year	22,884	(22,884)	-	100.00%
Total impaired loans	**819,296**	**(711,499)**	**107,797**	**86.84%**
Total loans to large corporates	**7,494,541**	**(788,471)**	**6,706,070**	**10.52%**

As at 31 December 2014, the Group had two counterparties, whose balances individually exceeded 10% of the Group's equity. The gross value of these balances as at 31 December 2014 were RUR 5,877,786.

During the year ended 31 December 2014, the Group renegotiated loans to legal entities that would otherwise be past due or impaired of RUR 185,539 thousand (31 December 2013: RUR 390,790 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

In 2013, the Group changed the assumptions used to provide for loans to small and medium sized businesses for which no impairment has been identified due to market improvement compared to last year. When determining the provision for loans for which no impairment has been identified, the Group started to use the overdue debt migration model for calculation of probabilities of default on the basis of overdue period and collected history. This methodology will be used prospectively.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2014 are as follows:

	Loans to large corporates RUR'000
Loan impairment allowance as at 1 January	788,471
Loan impairment losses	3,117,166
Loans written off as uncollectible	(331,881)
Loan impairment allowance as at 31 December	**3,573,756**

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2013 are as follows:

	Loans to large corporates RUR'000
Loan impairment allowance as at 1 January	492,306
Loan impairment losses	436,831
Loans written off as uncollectible	(140,666)
Loan impairment allowance as at 31 December	**788,471**

The following table provides information on the credit quality of the financing receivables as at 31 December 2014:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Financing receivables				
Financing receivables without individual signs of impairment				
-Standard financing receivables	5,437,510	(38,602)	5,398,908	0.71%
Total financing receivables for which no impairment has been identified	**5,437,510**	**(38,602)**	**5,398,908**	**0.71%**
Impaired financing receivables:				
- Overdue less 30 days	68,824	(23,296)	45,528	33.85%
- Overdue 30-89 days	72,318	(41,189)	31,129	56.96%
- Overdue 90-179 days	166,879	(134,029)	32,850	80.32%
- Overdue 180-360 days	147,344	(135,666)	11,678	92.07%
- Overdue more than 360 days	486,103	(460,789)	25,314	94.79%
Total impaired financing receivables	**941,468**	**(794,969)**	**146,499**	**84.44%**
Total financing receivables	**6,378,978**	**(833,571)**	**5,545,407**	**13.07%**

The following table provides information on the credit quality of the financing receivables as at 31 December 2013:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Financing receivables				
Financing receivables without individual signs of impairment				
-Standard financing receivables	5,928,097	(52,800)	5,875,297	0.89%
Total financing receivables for which no impairment has been identified	**5,928,097**	**(52,800)**	**5,875,297**	**0.89%**
Impaired financing receivables:				
- Overdue less 30 days	119,539	(15,114)	104,425	12.64%
- Overdue 30-89 days	130,713	(24,297)	106,416	18.59%
- Overdue 90-179 days	141,976	(40,080)	101,896	28.23%
- Overdue 180-360 days	169,741	(88,001)	81,740	51.84%
- Overdue more than 360 days	418,734	(313,165)	105,569	74.79%
Total impaired financing receivables	**980,703**	**(480,657)**	**500,046**	**49.01%**
Total financing receivables	**6,908,800**	**(533,457)**	**6,375,343**	**7.72%**

The Group has financed small and medium retailers with pre-shipments financing amounting to RUR 6,378,978 thousand and RUR 6,908,800 thousand as at 31 December 2014 and 2013. Such receivables are secured by the underlying goods purchased and have a short term maturity from 1 to 6 months.

Movements in the loan impairment of financing receivables for the year ended 31 December 2014 are as follows:

	Financing receivables RUR'000
Loan impairment allowance as at 1 January	533,457
Loan impairment losses	300,114
Loan impairment allowance as at 31 December	**833,571**

Movements in the loan impairment of financing receivables for the year ended 31 December 2013 are as follows:

	Financing receivables RUR'000
Loan impairment allowance as at 1 January	583,171
Recovery of loan impairment losses	(49,714)
Loan impairment allowance as at 31 December	**533,457**

Credit quality of loans to small and medium size borrowers

The following table provides information on the credit quality of loans to small and medium size borrowers collectively assessed for impairment as at 31 December 2014:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Provision for impairment to gross loans %
Consumer loans				
Not past due	26,622,247	(107,779)	26,514,468	0.40%
Overdue less than 30 days	1,480,743	(155,029)	1,325,714	10.47%
Overdue 30-89 days	1,310,430	(261,422)	1,049,008	19.95%
Overdue 90-179 days	1,499,057	(597,605)	901,452	39.87%
Overdue 180-360 days	3,029,949	(1,969,770)	1,060,179	65.01%
Overdue more than 360 days	1,258,682	(1,095,599)	163,083	87.04%
Total consumer loans	**35,201,108**	**(4,187,204)**	**31,013,904**	**11.90%**
Credit cards				
Not past due	7,669,896	(59,037)	7,610,859	0.77%
Overdue less than 30 days	348,543	(40,930)	307,613	11.74%
Overdue 30-89 days	525,001	(131,264)	393,737	25.00%
Overdue 90-179 days	339,494	(137,497)	201,997	40.50%
Overdue 180-360 days	495,969	(226,357)	269,612	45.64%
Overdue more than 360 days	248,210	(148,988)	99,222	60.03%
Total credit cards	**9,627,113**	**(744,073)**	**8,883,040**	**7.73%**
Car loans				
Not past due	39,209	(301)	38,908	0.77%
Overdue less than 30 days	2,081	(85)	1,996	4.06%
Overdue 90-179 days	117	(76)	41	65.45%
Overdue 180-360 days	1,241	(984)	257	79.28%
Overdue more than 360 days	6,674	(1,522)	5,152	22.81%
Total car loans	**49,322**	**(2,968)**	**46,354**	**6.02%**
Other loans				
Not past due	7,722,251	(59,487)	7,662,764	0.77%
Overdue less than 30 days	378,022	(50,145)	327,877	13.27%
Overdue 30-89 days	352,621	(157,994)	194,627	44.81%
Overdue 90-179 days	386,792	(273,781)	113,011	70.78%
Overdue 180-360 days	1,013,465	(841,618)	171,847	83.04%
Overdue more than 360 days	3,728,312	(3,533,754)	194,558	94.78%
Total other loans	**13,581,463**	**(4,916,779)**	**8,664,684**	**36.20%**
Total small and medium size borrowers	**58,459,006**	**(9,851,024)**	**48,607,982**	**16.85%**

The following table provides information on the credit quality of loans to small and medium size borrowers collectively assessed for impairment as at 31 December 2013:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Provision for impairment to gross loans %
Consumer loans				
Not past due	23,752,140	(165,072)	23,587,068	0.69%
Overdue less than 30 days	1,304,527	(187,143)	1,117,384	14.35%
Overdue 30-89 days	1,216,385	(492,755)	723,630	40.51%
Overdue 90-179 days	1,199,912	(784,502)	415,410	65.38%
Overdue 180-360 days	1,902,018	(1,559,850)	342,168	82.01%
Overdue more than 360 days	1,077,778	(461,960)	615,818	42.86%
Total consumer loans	**30,452,760**	**(3,651,282)**	**26,801,478**	**11.99%**
Credit cards				
Not past due	5,397,423	(37,443)	5,359,980	0.69%
Overdue less than 30 days	149,029	(21,365)	127,664	14.34%
Overdue 30-89 days	106,056	(25,045)	81,011	23.61%
Overdue 90-179 days	93,221	(28,078)	65,143	30.12%
Overdue 180-360 days	61,170	(21,691)	39,479	35.46%
Overdue more than 360 days	345,260	(185,327)	159,933	53.68%
Total credit cards	**6,152,159**	**(318,949)**	**5,833,210**	**5.18%**
Car loans				
Not past due	21,237	(147)	21,090	0.69%
Overdue less than 30 days	1,105	(158)	947	14.32%
Overdue 30-89 days	1,510	(301)	1,209	19.90%
Overdue 90-179 days	316	(73)	243	23.04%
Overdue 180-360 days	1,420	(514)	906	36.22%
Overdue more than 360 days	21,436	(9,654)	11,782	45.04%
Total car loans	**47,024**	**(10,847)**	**36,177**	**23.07%**
Other loans				
Not past due	12,604,563	(250,314)	12,354,249	1.99%
Overdue less than 30 days	362,437	(51,008)	311,429	14.07%
Overdue 30-89 days	382,737	(118,474)	264,263	30.95%
Overdue 90-179 days	527,831	(268,280)	259,551	50.83%
Overdue 180-360 days	787,222	(485,308)	301,914	61.65%
Overdue more than 360 days	1,944,386	(1,648,863)	295,523	84.80%
Total other loans	**16,609,176**	**(2,822,247)**	**13,786,929**	**16.99%**
Total small and medium size borrowers	**53,261,119**	**(6,803,325)**	**46,457,794**	**12.77%**

As at 31 December 2014, included in the loan portfolio are restructured loans to small and medium size borrowers that would otherwise be past due or impaired of RUR 271,196 thousand (31 December 2013: RUR 549,354 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to small and medium borrowers for the year ended 31 December 2014 are as follows:

RUR'000	Consumer loans	Credit cards	Car loans	Other loans	Total
Loan impairment allowance as at 1 January	**3,651,282**	**318,949**	**10,847**	**2,822,247**	**6,803,325**
Accumulated allowance transferred from assets of discontinued operations classified as held for sale	1,225,073	5,978	-	-	1,231,051
Loan impairment losses	2,905,677	925,861	(7,183)	2,440,568	6,264,923
Loans written off as uncollectible	(3,594,828)	(506,715)	(696)	(346,036)	(4,448,275)
Loan impairment allowance as at 31 December	**4,187,204**	**744,073**	**2,968**	**4,916,779**	**9,851,024**

Movements in the loan impairment allowance by classes of loans to small and medium borrowers for the year ended 31 December 2013 are as follows:

RUR'000	Consumer loans	Credit cards	Car loans	Other loans	Total
Loan impairment allowance as at 1 January	**4,668,494**	**57,381**	**31,953**	**499,927**	**5,257,755**
Loan impairment losses	1,651,940	261,568	(21,106)	2,461,807	4,354,209
Loans written off as uncollectible	(2,669,152)	-	-	(139,487)	(2,808,639)
Loan impairment allowance as at 31 December	**3,651,282**	**318,949**	**10,847**	**2,822,247**	**6,803,325**

Analysis of collateral

The following table provides the analysis of loans gross of impairment, by types of collateral as at 31 December 2014 and 2013:

	2014 RUR'000	% of loan portfolio RUR'000	2013 RUR'000	% of loan portfolio RUR'000
Guarantees	18,034,686	19.91%	3,915,607	5.79%
Other collateral	5,449,599	6.02%	7,729,681	11.44%
Motor vehicles	4,114,889	4.53%	4,510,896	6.67%
Real estate	3,140,137	3.47%	3,331,648	4.92%
Traded securities	423,968	0.47%	297,404	0.43%
No collateral	59,435,738	65.60%	47,879,224	70.75%
Total	**90,599,017**	**100.00%**	**67,664,460**	**100.00%**

The amounts shown in the table above represent the gross values of the loans, and do not necessarily represent the fair value of the collateral.

Impaired or overdue loans to large corporates with a gross value of RUR 2,424,009 thousand (31 December 2013: RUR 1,749,712 thousand) are secured by collateral with a fair value of RUR 3,671,999 thousand (31 December 2013: RUR 3,367,505 thousand). For the remaining impaired loans of RUR 1,450,419 thousand (31 December 2013: RUR 2,740,396 thousand) there is no collateral or it is impracticable to determine the fair value of the collateral.

Auto loans are secured by underlying vehicles. Credit card overdrafts and consumer loans are not secured.

During the year ended 31 December 2014, the Group obtained assets by taking control of collateral accepted as security for commercial loans in the total amount of RUR 70,192 thousand (31 December 2013: RUR 6,570 thousand) and is included in other assets (Note 24). This has been accounted for as non-cash item for the purposes of composition of consolidated statement of cash flows.

Industry analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation who operate in the following economic sectors:

	2014 RUR'000	2013 RUR'000
Individuals	55,423,853	42,922,279
Trade	17,981,222	14,912,740
Finance	6,003,529	1,357,787
Construction	2,456,454	1,139,154
Manufacturing	1,178,479	327,712
Heavy industry	113,700	285,118
Agriculture	589,354	279,868
Other	6,852,426	6,439,802
	90,599,017	**67,664,460**
Impairment allowance	(14,258,351)	(8,125,253)
	76,340,666	**59,539,207**

Loan maturities

The maturity of the loan portfolio is presented in Note 43, which shows the remaining period from the reporting date to the contractual maturity of the loans.

20. HELD-TO-MATURITY INVESTMENTS

	2014 RUR'000	2013 RUR'000
Government bonds		
Ministry of Finance RF OFZ-26203	3,755,069	519,905
Ministry of Finance RF OFZ-25080	1,306,647	-
Ministry of Finance RF OFZ-25079	978,751	978,569
Ministry of Finance RF OFZ-25077	792,704	-
Ministry of Finance RF OFZ-25082	145,230	-
Total government and municipal bonds	**6,978,401**	**1,498,474**

As at 31 December 2014 and 2013, held-to-maturity investments include Russian Government Federal bonds with interest rates in the range 6.00%-7.35% and maturity in 2015-2017 and 6.90%-7.00% and maturity in 2015-2016.

Government bonds in the amount of RUR 1,099,607 thousand are pledged to amounts payable under repurchase agreements with maturity less than 1 month (Note 17).

21. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

RUR'000	Land and buildings	Equipment	Motor vehicles	Intangible assets	Leasehold assets improvements	Construction in progress	Total
Cost/revalued amount							
At 1 January 2014	1,914,298	3,267,436	155,650	1,228,198	450,194	175,732	7,191,508
Transfers from assets of discontinued operations classified as held for sale	423,731	421,741	4,546	11,667	-	6,674	868,359
Additions	3,469	1,514,600	45,643	347,527	-	94,330	2,005,569
Disposals	(138,565)	(313,579)	(61,415)	(2,915)	-	-	(516,474)
Transfer	-	-	-	-	46,476	(46,476)	-
Acquisition of subsidiary (note 46)	1,132,693	108,942	18,815	11,956	-	-	1,272,406
Revaluation	(236,053)	-	-	-	-	-	(236,053)
At 31 December 2014	3,099,573	4,999,140	163,239	1,596,433	496,670	230,260	10,585,315
Depreciation and amortization							
At 1 January 2014	-	1,780,055	65,470	593,082	321,098	-	2,759,705
Transfers from assets of discontinued operations classified as held for sale	-	146,923	9,895	1,669	-	-	158,487
Depreciation and amortization charge	71,396	717,892	40,038	208,118	103,383	-	1,140,827
Disposals	(453)	(191,386)	(44,626)	(483)	-	-	(236,948)
Elimination of accumulated depreciation of revalued assets	(70,943)	-	-	-		-	(70,943)
At 31 December 2014	-	2,453,484	70,777	802,386	424,481	-	3,751,128
Carrying value							
At 31 December 2014	3,099,573	2,545,656	92,462	794,047	72,189	230,260	6,834,187

RUR'000	Land and buildings	Equipment	Motor vehicles	Intangible assets	Leasehold assets improvements	Construction in progress	Total
Cost/revalued amount							
At 1 January 2013	1,999,066	2,643,144	141,981	888,849	393,440	161,550	6,228,030
Additions	12,350	699,360	59,129	339,941	-	82,256	1,193,036
Disposals	(73,620)	(47,627)	(45,460)	(592)	-	(11,320)	(178,619)
Transfer	-	-	-	-	56,754	(56,754)	-
Transfers to investment property	(7,857)	-	-	-	-	-	(7,857)
Transfers to assets of discontinued operations classified as held for sale	(180,024)	(27,441)	-	-	-	-	(207,465)
Revaluation	164,383	-	-	-	-	-	164,383
At 31 December 2013	1,914,298	3,267,436	155,650	1,228,198	450,194	175,732	7,191,508
Depreciation and amortization							
At 1 January 2013	-	1,304,864	55,989	447,879	222,046	-	2,030,778
Depreciation and amortization charge	38,298	525,547	37,885	145,795	99,052	-	846,577
Transfers to assets of discontinued operations classified as held for sale	(2,787)	(18,756)	-	-	-	-	(21,543)
Disposals	(988)	(31,600)	(28,404)	(592)	-	-	(61,584)
Elimination of accumulated depreciation of revalued assets	(34,523)	-	-	-	-	-	(34,523)
At 31 December 2013	-	1,780,055	65,470	593,082	321,098	-	2,759,705
Carrying value							
At 31 December 2013	1,914,298	1,487,381	90,180	635,116	129,096	175,732	4,431,803

Intangible assets consist of licences and purchased and developed software.

As at 31 December 2014 and 2013 included in property and equipment were fully depreciated assets totaling RUR 1,212,217 thousand and RUR 898,896 thousand, respectively.

Revalued assets

Aa at 31 December 2014, buildings were revalued by the Management based on the results of an independent appraisal.

The valuation was performed based on the market and income capitalization approaches.

The estimate of the market value is based on the direct comparison of the revalued object with other objects sold or offered for sale. The market value of premises is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of premises was estimated based on information on sales of the comparable items that took place in the market.

The following key assumptions are used in applying income capitalization approaches:

- Net operating income was estimated based on the market rental rates of RUR 1,912 - 27 000 per square meter per annum depending on the characteristics of the revalued assets;
- Capitalization rates used for estimation of fair value of properties (depending on its type) ranging from 12% to 14% respectively.

The values assigned to the key assumptions represent Management's assessment of future business trends and are based on both external sources and internal sources of information.

Analysis of revaluation movements	2014 RUR'000	2013 RUR'000
Revaluation for the period	-	167,708
Elimination of accumulated depreciation of revalued assets	70,943	39,686
Recovery of impairment allowance	-	(58,996)
Change in revaluation assets of discontinued operations classified as held for sale	-	55,009
Impairment allowance for the year	(236,053)	-
Revaluation for the period in the statement of changes in equity before tax	**(165,110)**	**203,407**

The carrying value of buildings as at 31 December 2014, if the buildings would not have been revalued, would be RUR 3,205,229 thousand (31 December 2013: RUR 2,089,735 thousand).

The table below presents the negative revaluation of RUR 191,516 thousand (31 December 2013: RUR 4,036 thousand) which was recognized cumulatively as an impairment charge in retained earnings of the Group and accordingly, as a charge in the appropriate year in profit or loss:

Analysis of movements in the impairment allowance	2014 RUR'000	2013 Restated (Note 4) RUR'000
Balance at the beginning of the year	4,036	79,799
Write off of allowance of disposed and transferred land and building	(2,095)	(16,767)
Recovery of allowance	-	(58,996)
Net charge for the year (Note 13)	189,575	-
Balance at the end of the year	**191,516**	**4,036**

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value
Buildings in following region:				
- Samara region	-	915,835	-	**915,835**
- Moscow region	-	528,451	-	**528,451**
- Saratov region	-	519,286	-	**519,286**
- Ekaterinburg region	-	304,750	-	**304,750**
- Kaluga region	-	180,491	-	**180,491**
- Tyumen region	-	87,070	-	**87,070**
- St. Petersburg	-	75,400	-	**75,400**
- Rostov region	-	46,414	-	**46,414**
- Irkutsk region	-	36,000	-	**36,000**
- Magnitogorsk region	-	31,358	-	**31,358**
- Kurgan region	-	22,430	-	**22,430**
- Chelyabinsk region	-	21,717	-	**21,717**
- Other	-	330,371	-	**330,371**
Total	**-**	**3,099,573**	**-**	**3,099,573**

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value
Buildings in following region:				
- Moscow region	-	607,410	-	**607,410**
- Ekaterinburg region	-	302,120	-	**302,120**
- St. Petersburg	-	79,600	-	**79,600**
- Saratov region	-	605,381	-	**605,381**
- Kaluga region	-	216,740	-	**216,740**
- Rostov region	-	67,967	-	**67,967**
- Other	-	35,080	-	**35,080**
Total	**-**	**1,914,298**	**-**	**1,914,298**

There were no transfers between Levels 1 and 2 during the year.

22. DEVELOPMENT PROPERTY

	2014 RUR'000	2013 RUR'000
Developments under construction:		
Development and construction costs	1,179,541	2,430,311
Complete development properties	-	220,663
Write down of development property to net realizable value (Note 13)	(437,552)	-
	741,989	**2,650,974**

The Management consider all inventories to be current in nature. The operational cycle is such that the majority of Development Property will not be realised within 12 months. It is not possible to determine with accuracy when specific Development Property will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

As at 31 December 2014, the Management reconsidered its strategy in relation to further development of several construction projects due to changes in forecasts of market sale prices for the properties. As a result, the Group has recognized a write down in the amount of RUR 437,552 thousand.

23. INVESTMENT PROPERTY

	2014 RUR'000	2013 RUR'000
Fair value		
As at 1 January	1,224,473	2,648,867
Acquisitions of subsidiary (note 46)	907,562	-
Additions	-	-
Disposal	(313,027)	(1,302,783)
Transfers from property, equipment and intangible assets	-	7,857
Change in fair value	(187,269)	(129,468)
Aa at 31 December	**1,631,739**	**1,224,473**

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value as at December 31, 2014
Buildings in following region:				
- Sverdlovsk region	-	503,772	-	503,772
- Stavropol region	-	396,200	-	396,200
- Samara region	-	377,194	-	377,194
- Ekaterinburg region	-	120,856	-	120,856
- Ivanovo region	-	50,000	-	50,000
- St. Petersburg	-	45,000	-	45,000
- Sochi	-	39,170	-	39,170
- Kaluga region	-	24,149	-	24,149
- Moscow region	-	23,376	-	23,376
- Saratov region	-	19,215	-	19,215
- Other	-	32,807	-	32,807
Total	-	**1,631,739**	-	**1,631,739**

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at December 31, 2013
Buildings in following region:				
- Sverdlovsk region	-	597,037	-	**597,037**
- Ekaterinburg region	-	182,934	-	**182,934**
- Moscow region	-	145,592	-	**145,592**
- Ivanovo region	-	67,800	-	**67,800**
- Saratov region	-	62,682	-	**62,682**
- St. Petersburg	-	43,300	-	**43,300**
- Sochi	-	37,800	-	**37,800**
- Kaluga region	-	24,796	-	**24,796**
- Other	-	62,532	-	**62,532**
Total	-	**1,224,473**	-	**1,224,473**

There were no transfers between Levels 1 and 2 during the year.

Management valued investment properties based on the results of independent appraisals. The approach used for the revaluation was consistent with revaluation of buildings in own use (refer to Note 21). The market value of land is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of land was estimated based on information on sales of the comparable items that took place in the market.

Operating expenses arising from the investment property and rental income are insignificant.

24. OTHER ASSETS

	2014 RUR'000	2013 RUR'000
Prepayments	1,383,677	1,016,021
Other receivables	225,158	128,940
Taxes receivable, other than income tax	115,620	23,336
Property received under pledge agreements	70,192	6,570
Investment coins	344	493
Provision for impairment	(208,682)	(145,464)
Total other assets	**1,586,309**	**1,029,896**

As at 31 December 2014, included in other assets are overdue non financial receivables of RUR 208,682 thousand (31 December 2013: RUR 145,464 thousand).

As at 31 December 2014 and 2013, financial assets within other assets consist of other receivables totaling RUR 225,158 thousand and RUR 128,940 thousand respectively.

Analysis of movements in the impairment allowance	2014 RUR'000	2013 RUR'000
Balance at the beginning of the year	145,464	103,768
Accumulated allowance transferred from assets of discontinued operations classified as held for sale	2,951	-
Write off of allowance	(7,198)	(2,951)
Net charge for the year	67,465	44,647
Balance at the end of the year	**208,682**	**145,464**

25. DISCONTINUED OPERATIONS

In 2012 the Group's Management and the Board of Directors have approved a plan to separate its subsidiaries OJSC Bank24.ru, CJSC Bank Poidem! and LLC "Development Plus" into a parallel holding entity structure. The purpose of this transaction was to separate the more entrepreneurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

On 30 July 2014, the Group sold its shares of OJSC Bank24.ru. In August 2014 the Group's Management decided to terminate the further separation and account for CJSC Bank Poidem! and LLC "Development Plus" as part of the Group's continuing operations. The decision to terminate was made due to the unstable situation in the market and downturn in the Russian economy.

Net cash inflow on disposal of subsidiary	2014 RUR'000
Consideration received in cash and cash equivalents	297,679
Total	**297,679**

Assets and liabilities disposed of	30 July 2014 RUR'000
ASSETS	
Cash	1,050,315
Due from the Central Bank of the Russian Federation	1,296,927
Mandatory cash balances with the Central Bank of the Russian Federation	74,495
Placements with banks and other financial institutions	6,305,732
Financial assets at fair value through profit or loss	93
Loans to customers	673,824
Available-for-sale securities	3,282
Property, equipment and intangible assets	999,696
Other assets	216,772
Total assets	**10,621,136**
LIABILITIES	
Deposits and balances from banks and other financial institutions	8,589,468
Current accounts and deposits from customers	819
Debt securities issued	2,932
Subordinated debt	40,000
Other liabilities	227,281
Total liabilities	**8,860,500**
Net assets disposed of	**1,760,636**

Result on disposal of subsidiary	2014 RUR'000
Consideration received	297,679
Net assets disposed of	(1,760,636)
Result on disposal	**(1,462,957)**

The result on disposal is included in the statement of changes in equity.

The Group has represented its comparative consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013. Represented comparative information is presented below:

The assets and liabilities of the disposal group of subsidiaries are presented below:

	31 December 2013 RUR'000
ASSETS OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE	
Cash	3,151,642
Due from the Central Bank of the Russian Federation	3,186,920
Mandatory cash balances with the Central Bank of the Russian Federation	202,391
Placements with banks and other financial institutions	2,045,021
Financial assets at fair value through profit or loss	412,956
Loans to customers	15,232,728
Available-for-sale securities	4,475
Property, equipment and intangible assets	1,813,858
Other assets	704,772
Total assets of discontinued operations classified as held for sale	**26,754,763**
LIABILITIES FROM DISCONTINUED OPERATIONS	
Deposits and balances from banks and other financial institutions	2,276,787
Current accounts and deposits from customers	17,564,300
Debt securities issued	2,932
Deferred tax liability	102,936
Other liabilities	833,873
Total liabilities from discontinued operations	**20,780,828**

Net profit of discontinued operations relating to the disposal group held for sale is presented as follows:

	2014 RUR'000	2013 Represented RUR'000
Interest income	208,288	259,487
Interest expense	(13,896)	(39,821)
Net interest income	**194,392**	**219,666**
Fee and commission income	893,461	1,604,358
Fee and commission expense	(123,964)	(300,649)
Net fee and commission income	**769,497**	**1,303,709**
Net loss on financial assets and liabilities at fair value through profit or loss	(9,094)	(7,460)
Net foreign exchange gain/(loss)	146,529	(32,062)
Net (loss)/gain on available-for-sale securities	(1,428)	275
Other operating income	1,262	14,843
Operating income before provision for impairment losses	**1,101,158**	**1,498,971**
Recovery of impairment losses	14,509	5,393
General administrative expenses	(915,415)	(1,401,741)
Profit before tax	**200,252**	**102,623**
Income tax expense	(105,495)	(19,738)
Profit for the period from discontinued operations	**94,757**	**82,885**

Represented comparative information is presented below:

	2013 As previously reported RUR'000	Reclassification to continuing operations	2013 Represented RUR'000
Interest income	6,713,951	(6,454,464)	259,487
Interest expense	(1,046,498)	1,006,677	(39,821)
Net interest income	**5,667,453**	**(5,447,787)**	**219,666**
Fee and commission income	1,720,412	(116,054)	1,604,358
Fee and commission expense	(323,387)	22,738	(300,649)
Net fee and commission income	**1,397,025**	**(93,316)**	**1,303,709**
Net loss on financial assets and liabilities at fair value through profit or loss	(7,460)	-	(7,460)
Net foreign exchange loss	(19,666)	(12,396)	(32,062)
Net gain on available-for-sale securities	275	-	275
Other operating income	292,645	(277,802)	14,843
Operating income before provision for impairment losses	**7,330,272**	**(5,831,301)**	**1,498,971**
(Impairment losses)/recovery of losses	(1,700,138)	1,705,531	5,393
General administrative expenses	(4,131,636)	2,729,895	(1,401,741)
Profit before tax	**1,498,498**	**(1,395,875)**	**102,623**
Income tax expense	(447,352)	427,614	(19,738)
Profit for the period from discontinued operations	**1,051,146**	**(968,261)**	**82,885**

Cash flows from discontinued operations of the disposal group held for sale is presented as follows:

Cash flows from discontinued operations	2014 RUR'000	2013 RUR'000
Net cash inflow from operating activities	-	1,564,068
Net cash outflows from investing activities	-	36,713
Net cash outflows from financing activities	-	(31,409)

26. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2014 RUR'000	2013 RUR'000
Vostro accounts	142,601	1,060,526
Term deposits	8,107,851	7,058,533
	8,250,452	**8,119,059**

Concentration of deposits and balances from banks

As at 31 December 2014 and 2013, the Group has one and two counterparty, respectively whose balances exceeded 10% of Group's equity. The gross value of these balances as at 31 December 2014 and 2013 are RUR 3,290,000 thousand and RUR 3,307,786 thousand, respectively.

Deposits and balances from banks and other financial institutions maturities

The maturity of the deposits and balances from banks and other financial institutions is presented in Note 43.

27. AMOUNTS PAYABLE UNDER REPURCHASE AGREEMENTS

Details of transferred financial assets that are not derecognized in their entirety as at 31 December 2014 are disclosed below:

	2014 RUR'000	2013 RUR'000
Amounts payable to the Central Bank of the Russian Federation	4,825,899	1,208,688
Amounts payable to banks and other financial institutions	1,858,547	674,377
	6,684,446	**1,883,065**

The fair value of assets pledged and carrying value of amounts payable under repurchase agreements as at 31 December 2014 and 2013 comprise:

	31 December 2014		31 December 2013	
	Fair value of collateral	Carrying value of amounts payable under repurchase agreements	Fair value of collateral	Carrying value of amounts payable under repurchase agreements
Russian Government Federal bonds	4,751,867	4,220,529	2,670,231	1,883,065
Corporate bonds	2,390,009	2,196,149	-	-
Municipal bonds	275,574	267,768	-	-
Total	**7,417,450**	**6,684,446**	**2,670,231**	**1,883,065**

As at 31 December 2014 and 2013, the net position on repurchase agreements are RUR 733,004 thousand and RUR 787,166 thousand respectively.

The repurchase agreements mature within 1 month of the year end (2013: 1 month) (Note 17 and 20).

28. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

	2014 RUR'000	2013 RUR'000
Current accounts and demand deposits		
- Individuals	4,203,436	4,541,257
- Corporate clients	19,354,043	22,273,263
Term deposits		
- Individuals	101,510,013	68,643,443
- Corporate clients	13,473,522	15,124,261
	138,541,014	**110,582,224**

As at 31 December 2014 and 2013, no single customer of the Group has accounted for more than 10% of the Group's equity.

	2014 RUR'000	2013 RUR'000
Analysis by sector:		
Individuals	105,713,449	73,184,700
Trade	11,818,576	13,843,094
Construction	6,851,482	8,365,664
Facility	6,414,960	6,196,541
Finances, loans, pensions	1,498,990	2,894,869
Mining and metallurgy	1,317,189	1,647,059
Transport and communication	709,671	505,365
State authorities	283,820	107,822
Real estate	279,793	344,331
Energy and fuel sector	224,243	46,957
Public associations	214,688	170,646
Agriculture	190,619	257,980
Mass media	89,712	87,816
Manufacturing	94,056	73,937
Other	2,839,766	2,855,443
Total customer accounts and deposits	**138,541,014**	**110,582,224**

29. DEBT SECURITIES ISSUED

	2014 RUR'000	2013 RUR'000
Subordinated loan participation notes	3,509,263	2,026,397
Discount bearing promissory notes	2,103,770	2,898,468
Interest-bearing promissory notes	113,853	50,861
Corporate RUR bonds issued	8,594	505,795
Zero-interest/non-discount bearing promissory notes	6,632	25,468
Total debt securities issued	**5,742,112**	**5,506,989**

Discount bearing promissory notes represent debt securities issued to legal entities with effective interest rates ranging from 2.02% to 27.90% (31 December 2013: from 2.02% to 14.56%) and maturity from 2015 to 2017 (31 December 2013: from 2014 to 2018).

As at 31 December 2014 and 2013, the Group had the following loan participation notes outstanding:

Principal amount as at 31 December 2014 '000	Principal amount as at 31 December 2013 '000	Interest rate %	Issue date	Maturity date	2014 RUR'000	2013 RUR'000
61,500 USD	61,500 USD	11.75	2010 – 50,000 USD 2011 – 11,500 USD	2016	3,509,263	2,026,397
Total loan participation notes					**3,509,263**	**2,026,397**

Covenants

The Group is obliged to comply with financial covenants in relation to loan participation notes due in 2016. In accordance with the terms of covenants the Group should comply with the minimum capital adequacy ratio established by the CBRF. The Group has not breached this covenant as at 31 December 2014 and 2013.

30. OTHER BORROWED FUNDS

As at 31 December 2014 and 2013 other borrowed funds comprise:

	Original currency	Maturity date	2014		2013	
			Interest rate %	RUR'000	Interest rate %	RUR'000
Loans granted by State corporation "Deposit Insurance Agency"	RUR	2023	9.29	3,351,338	-	-
Loans granted by Unicredit Bank AG (HEPOVEREINSBANK)	EUR	2015-16	1.23-6.09	1,186,466	1.23-6.09	1,147,820
Loans granted by Unicredit Bank AG (HEPOVEREINSBANK)	CHF	2014	-	-	5.25	63,932
Loans granted by Landesbank Berlin AG	EUR	2014	-	-	2.38	30,791
Loans granted by VTB BANK (FRANCE) S.A.	EUR	2014	-	-	4.16-4.79	289,780
Loans granted by VTB BANK Germany	EUR	2014	-	-	4.03	226,787
Loans granted by Bankgesellschaft Berlin AG	EUR	2014	-	-	5.10	26,352
				4,537,804		**1,785,462**

Covenants

The Group is obliged to comply with financial covenants in relation to other borrowed funds from State corporation "Deposit Insurance Agency". In accordance with the terms of the covenants the Group should comply with the minimum capital adequacy ratio established by the CBRF. The Group has not breached this covenant as at 31 December 2014 and 2013.

31. SUBORDINATED DEBT

Subordinated debt as at 31 December 2014 and 2013 comprise:

	Original currency	Maturity date	2014 Interest rate %	2014 RUR'000	2013 Interest rate %	2013 RUR'000
AMBIKA Investments Limited	USD	2014-2020	6.40-13.50	5,457,068	6.40-13.50	1,865,565
LLC "Collection agency "Life"	RUR	2014-2042	9.08	371,000	9.08	374,241
OJSC Bank 24.ru	RUR	2042	8.25	240,000	-	-
LLC "Amigo"	RUR	2017	9.08	100,396	9.08	100,398
LLC "NBS – Finansoviye uslugi"	RUR	2020	6.00	20,201	6.00	21,200
Total subordinated debt				**6,188,665**		**2,361,404**

In case of bankruptcy or liquidation of the Group, the repayment of the subordinated debt shall be made after repayment in full of liabilities to all other creditors of the Group.

In September 2014 the CBRF withdrew the baking license of OJSC Bank 24.ru. During 2015, the Bank will repurchase this debt upon receipt of permission from the CBRF.

32. OTHER LIABILITIES

	2014 RUR'000	2013 RUR'000
Provisions for guarantees and other commitments	622,336	128,539
Payables to employees	565,491	920,453
Taxes payable, other than income tax	193,392	182,605
Deferred fees for customer accounts maintenance	148,724	246,740
Deferred fees for credit operations	98,158	123,382
Liabilities on payments to the deposit insurance fund system	94,436	77,529
Legal claims	37,610	-
Leasing obligations	-	464
Other	396,758	175,116
Total other liabilities	**2,156,905**	**1,854,828**

As at 31 December 2014 and 2013, financial liabilities within other liabilities consist of payables to employees and provisions for guarantees and other commitments amount to RUR 1,584,586 thousand and RUR 1,224,108 thousand respectively.

33. SHARE CAPITAL AND SHARE PREMIUM

Issued share capital and share premium

On 3 June 2014, the Bank repurchased from shareholders 113,618 ordinary shares, in accordance with the plan to separate its subsidiary OJSC Bank24.ru, into a parallel holding entity structure. The authorised, issued and outstanding share capital comprises 3,324,711 ordinary shares and repurchased shares in the amount 113,618 ordinary shares booked on treasure account of issuer (2014: 3,438,329 ordinary shares). All shares have a nominal value of RUR 1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the annual and general meetings of the Group.

The share capital that has been issued prior to 1 January 2003 was inflated in accordance with IAS 29 "Financial Reporting in Hyperinflatory Economics".

Treasury shares

The Group buys and sells its own shares in the normal course of its equity trading activities. This is in compliance with all the aspects of the Federal Law on Joint Stock companies. These shares are treated as a deduction from shareholder's equity. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as at the reporting date, RUR 4,892,863 thousand reserves were available for distribution to common shareholders (2013: RUR 4,519,959 thousand). Reserves which were available for distribution for the purpose of IFRS are recognized within retained earnings in the statement of financial position.

Express Volga Bank, a subsidiary of the Group, annually declares dividends on non-voting preferred shares held by non-controlling shareholders. The amount paid for 2014 was RUR 381 thousand (2013: RUR 3,462 thousand).

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Group members that provide for the creation of a reserve for these purposes of not less than 5% of share capital reported in statutory books of each Group member.

34. RISK MANAGEMENT

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risk. Market risk includes price, interest rate and currency risks.

Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Strategic Committee of the Group has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Department of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Department of the Group is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President of the Group.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits which are set by the Strategic Committee of the Group. The Treasury Department and the Financial Markets Department manage market risks within these limits and the Risk Department monitors that the limits are complied.

The management of interest rates risk, a component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Group's net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of the Group's net profit for the period and equity to changes in interest rate repricing risk based on a simplified scenario of a 200 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2014 and 2013 is as follows:

	2014		2013	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
500 bp parallel fall	(1,639,738)	(1,639,738)	(431,164)	(431,164)
500 bp parallel rise	1,639,738	1,639,738	431,164	431,164

An analysis of sensitivity of the net profit for the period and equity as a result of changes in fair value of financial instruments at fair value though profit or loss and available-for-sale securities due to changes in the interest rates based on positions existing as at 31 December 2014 and 2013 and a simplified scenario of a 200 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2014		2013	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
200 bp parallel fall	3,257,892	3,257,892	3,001,942	3,001,942
200 bp parallel rise	(3,257,892)	(3,257,892)	(3,244,970)	(3,244,970)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Group's exposure to currency risk at year end refer to Note 44.

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2014 and 2013 and a simplified scenario of a 20% change in USD and Euro to Russian ruble exchange rates is as follows:

	2014		2013	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
20% appreciation of USD against RUR	(238,079)	(238,079)	(125,816)	(125,816)
20% depreciation of USD against RUR	238,079	238,079	125,816	125,816
20% appreciation of EUR against RUR	(103,638)	(103,638)	(49,699)	(49,699)
20% depreciation of EUR against RUR	103,638	103,638	49,699	49,699

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of the Group's net income for the year and equity to changes in equity securities prices based on positions existing as at 31 December 2014 and 2013 and a simplified scenario of a 10% change in all securities prices is as follows:

	2014		2013	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
20% increase in securities prices	748	748	2,194,392	2,194,392
20% decrease in securities prices	(748)	(748)	(2,194,392)	(2,194,392)

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of the Risk Management Division, which actively monitors the Group's credit risk. The Group's credit policy is reviewed and approved by the Strategic Committee.

The Group's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, SME and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the Group's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements have been met. The Risk Management Division reviews the loan/credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Group's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Risk Management Division.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's specialists, and in the event of negative movements in market prices the borrower is usually requested to pledge additional security.

Retail loan/credit applications are reviewed by experienced loan officers who complete personal interviews with the applicants. Scoring systems support but do not define credit decisions. Key element of risk management is the loan officer's judgment on the ability and willingness of the customers to repay the loans.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The Group's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 19 "Loans to customers".

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. In the table below equity securities were excluded as they are considered not to bear credit risk.

	31 December 2014				
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure
Due from the Central Bank of the Russian Federation	9,411,623	-	9,411,623	-	9,411,623
Mandatory cash balances with the Central Bank of the Russian Federation	2,397,711	-	2,397,711	-	2,397,711
Placements with banks and other financial institutions	23,119,049	-	23,119,049	-	23,119,049
Financial assets at fair value through profit or loss	42,743,368	-	42,743,368	-	42,743,368
Amount receivable under reverse repurchase agreements	1,000,614	-	1,000,614	-	1,000,614
Loans to customers	76,340,666	324,431	76,016,235	26,606,043	49,410,192
Held-to-maturity investments	6,978,401	-	6,978,401	-	6,978,401
Other financial assets	225,158	-	225,158	-	225,158
Guarantees issued and similar commitments	10,628,880	553,821	10,075,059	-	10,075,059
Letters of credit and other contingencies	421,352	29,414	391,938	-	391,938
Unused loan commitments	7,278,644	-	7,278,644	-	7,278,644

	31 December 2013				
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure
Due from the Central Bank of the Russian Federation	5,082,347	-	5,082,347	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	1,268,350	-	1,268,350
Placements with banks and other financial institutions	19,605,045	-	19,605,045	-	19,605,045
Financial assets at fair value through profit or loss	39,289,721	-	39,289,721	-	39,289,721
Amount receivable under reverse repurchase agreements	6,440	-	6,440	-	6,440
Loans to customers	59,539,207	59,211	59,479,996	17,394,998	42,084,998
Held-to-maturity investments	1,498,474	-	1,498,474	-	1,498,474
Other financial assets	128,940	-	128,940	-	128,940
Guarantees issued and similar commitments	12,924,271	-	12,924,271	-	12,924,271
Letters of credit and other contingencies	1,217,910	-	1,217,910	280,392	937,518
Unused loan commitments	3,494,113	-	3,494,113	-	3,494,113

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of unimpaired financial assets (*), except for loans to customers, held by the Group. In the table below equity securities were excluded as they are considered not to bear credit risk.

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2014 Total
Due from the Central Bank of the Russian Federation	-	-	-	9,411,623	-	-	9,411,623
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	2,397,711	-	-	2,397,711
Placements with banks and other financial institutions	-	2,814,175	1,833,792	670,906	2,753,196	15,046,977	23,119,046
Financial assets at fair value through profit or loss	3,140,825	19,552	-	29,449,698	5,775,476	4,357,817	42,743,368
Amount receivable under reverse repurchase agreements	-	-	-	-	1,000,614	-	1,000,614
Loans to customers	-	-	2,964,139	2,861,490	-	70,515,037	76,340,666
Held-to-maturity investments	-	-	-	6,978,401	-	-	6,978,401
Other financial assets	-	-	-	-	-	225,158	225,158

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total
Due from the Central Bank of the Russian Federation	-	-	-	5,082,347	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	1,268,350	-	-	1,268,350
Placements with banks and other financial institutions	-	2,002,685	1,800,725	3,409,401	73,120	12,319,114	19,605,045
Financial assets at fair value through profit or loss	1,707,001	1,308,953	-	35,815,675	1,267	456,825	39,289,721
Amount receivable under reverse repurchase agreements	-	-	-	6,440	-	-	6,440
Loans to customers	-	-	-	-	-	59,539,207	59,539,207
Held-to-maturity investments	-	-	-	1,498,474	-	-	1,498,474
Other financial assets	-	-	-	-	-	128,940	128,940

(*)The above unimpaired financial assets are classified based on the information provided by the international credit rating agencies – "Moody's", "Fitch", "Standard & Poor's".

The following table provides an analysis Placements with banks and other financial institutions that are not rated. The Group classified such placements in two categories according to internal ratings assigned to financial institutions:

- The "S – Standard" category with low credit risk includes placements with no past due status that are granted to financial institutions that have perfect credit history with the Group and other creditors; that proved to be profitable and well performing businesses with no signs of decline of their financial sustainability;
- The "O- overdue" category includes Placements with banks and other financial institutions that are overdue and with bad financial performance.

Not rated placements with banks and other financial institutions	2014 RUR'000	2013 RUR'000
Standard	15,046,977	12,319,114
	15,046,977	**12,319,114**

The following table provides an analysis of loans to large customers that are classified in three categories according to internal ratings assigned to borrowers:

- The "N – Normal" category with low credit risk includes loans with no past due status that are granted to borrowers that have perfect credit history with the Group and other creditors; that proved to be profitable and well performing businesses with no signs of decline of their financial sustainability;
- The "W – watch list" category with temperate credit risk includes loans with no past due status that are granted to borrowers with good credit history with the Group and other creditors with minor exceptions in the past; that proved to be well performing businesses in the past but average financial performance at the moment;
- The "P – poor" category includes loans that are not overdue but with bad financial performance at the moment and loans that are overdue.

	N (Normal)	W (Watch list)	P (Poor)	Total 31 December 2014
Loan to large corporates and financing receivables	25,567,614	1,756,501	4,815,896	**32,140,011**
Provision for impairment	(149,276)	(10,836)	(4,247,215)	**(4,407,327)**
Total loans to corporates	**25,418,338**	**1,745,665**	**568,681**	**27,732,684**

	N (Normal)	W (Watch list)	P (Poor)	Total 31 December 2013
Loan to large corporates and financing receivables	10,994,093	1,609,249	1,799,999	**14,403,341**
Provision for impairment	(110,944)	(18,828)	(1,192,156)	**(1,321,928)**
Total loans to corporates	**10,883,149**	**1,590,421**	**607,843**	**13,081,413**

The following table provides an analysis of loans to small and medium borrowers that are classified in six categories according to internal ratings assigned to borrowers:

- "Not past due" category with low credit risk includes loans with no past due status that are granted to small and medium borrowers that have perfect credit history with the Group.
- Overdue 1-5 days, Overdue 5-35 days, Overdue 35-65 days, and Overdue more than 65 days categories includes loans that are overdue during appropriate days.
- Recovered category with high credit risk which was overdue more than 65 days, however borrowers started repayment of overdue debts and made two last regular payments without delay.

Credit quality of the loans to small and medium borrowers

	Gross loans	Provision for impairment	Net loans 31 December 2014
Not past due	41,553,603	(226,604)	41,326,999
Overdue 1-5 days	671,365	(88,414)	582,951
Overdue 5-35 days	1,908,751	(284,774)	1,623,977
Overdue 35-65 days	955,735	(330,041)	625,694
Recovered	2,607,787	(1,004,993)	1,602,794
Overdue more than 65 days	10,761,765	(7,916,198)	2,845,567
Total retail loans	**58,459,006**	**(9,851,024)**	**48,607,982**

	Gross loans	Provision for impairment	Net loans 31 December 2013
Not past due	41,775,363	(452,976)	41,322,387
Overdue 1-5 days	893,067	(108,170)	784,897
Overdue 5-35 days	1,924,340	(311,081)	1,613,259
Overdue 35-65 days	1,156,376	(418,942)	737,434
Recovered	2,823,454	(1,281,012	1,542,442
Overdue more than 65 days	4,688,519	(4,231,144)	457,375
Total retail loans	**53,261,119**	**(6,803,325)**	**46,457,794**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Strategic Committee.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Group requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position of the Group are presented to senior management on a weekly basis. Decisions on the Group's liquidity management are made by the Treasury Department within standards and rules set by the Strategic Committee of the Group.

The Group also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the CBRF. The Group was in compliance with these ratios as at 31 December 2014 and 2013.

The following tables show the undiscounted cash flows on the Group's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Group's expected cash flows on these financial liabilities and unrecognized loan commitments may vary significantly from this analysis.

The gross undiscounted cash flows of the Group as at 31 December 2014 were as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1 year to 3 years	Over 3 years	Total gross amount outflow	Carrying amount
Liabilities								
Financial liabilities at fair value through profit or loss	183,550	45,877	-	-	-	-	229,427	229,427
Deposits and balances from banks and other financial institutions	618,994	1,937,969	164,436	1,682,261	4,581,313	71,189	9,056,162	8,250,452
Amounts payable under repurchase agreements	6,684,446	-	-	-	-	-	6,684,446	6,684,446
Current accounts and deposits from customers	32,664,076	14,018,994	15,673,903	31,731,078	59,783,035	34,883	153,905,969	138,541,014
Debt securities issued	1,251	75,228	118,094	498,416	2,443,471	2,923,386	6,059,846	5,742,112
Other borrowed funds	314,307	1,133,410	529,214	317,441	3,595,706	20,064	5,910,142	4,537,804
Subordinated debt	36,635	73,270	109,905	219,809	879,237	9,063,096	10,381,952	6,188,665
Other liabilities	115,067	298,506	-	922,562	4,511	-	1,340,646	1,340,646
Total	40,618,326	17,583,254	16,595,552	35,371,567	71,287,273	12,112,618	193,568,590	171,514,566
Credit related commitments	4,204,408	2,405,865	188,017	293,336	112,053	74,965	7,278,644	7,278,644

The gross undiscounted cash flows of the Group as at 31 December 2013 were as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1 year to 3 years	Over 3 years	Total gross amount outflow	Carrying amount
Liabilities								
Financial liabilities at fair value through profit or loss	1,374,568	-	-	-	-	-	1,374,568	1,374,568
Deposits and balances from banks and other financial institutions	3,576,117	2,291,032	739,594	1,554,595	120,361	56,767	8,338,466	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	-	-	-	1,883,065	1,883,065
Current accounts and deposits from customers	32,565,253	8,526,404	12,897,270	24,667,365	39,191,563	10,582	117,858,437	110,582,224
Debt securities issued	955,251	417,387	899,949	1,369,663	2,714,637	138	6,357,025	5,506,989
Other borrowed funds	1,235	194,420	360,563	104,876	1,220,526	-	1,881,620	1,785,462
Subordinated debt	14,467	28,934	43,401	196,948	316,193	3,024,617	3,624,560	2,361,404
Other liabilities	158,464	271,387	-	1,108,633	5,200	-	1,543,684	1,543,684
Total	40,528,420	11,729,564	14,940,777	29,002,080	43,568,480	3,092,104	142,861,425	133,156,455
Credit related commitments	1,555,546	1,061,115	190,369	225,273	155,323	306,487	3,494,113	3,494,113

The previous tables show the undiscounted cash flows on the Group's non-derivative financial liabilities, including issued credit related commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognized loan commitments are not all expected to be drawn down immediately.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

35. CAPITAL MANAGEMENT

The CBRF sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBRF, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2014 and 2013, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio as at 31 December 2014 and 31 December 2013.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel II.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December 2014 and 2013:

	2014 RUR'000	2013 RUR'000
Tier 1 capital		
Share capital	4,417,399	4,417,399
Treasury shares	(113,618)	-
Share premium	1,237,031	1,237,031
Retained earnings	6,351,868	10,253,091
Non -controlling interest	2,748,944	73,724
Goodwill	(252,676)	(252,676)
Total tier 1 capital	**14,388,948**	**15,728,569**
Tier 2 capital		
Revaluation reserve for property and equipment	604,709	855,001
Revaluation reserve of available-for-sale securities	-	(617)
Additional paid-in capital	-	521,580
Subordinated debt and subordinated loan participation notes	7,055,494	3,043,417
Total tier 2 capital	**7,660,203**	**4,419,381**
Total capital	**22,049,151**	**20,147,950**
Risk-weighted assets	**176,328,895**	**164,888,439**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**12.50%**	**12.22%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**8.16%**	**9.54%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Basel Accord recommends that the minimum capital adequacy of 8% for total capital and 4% for Tier 1 for risk-weighted assets be exceeded. As at 31 December 2014 and 2013, the Group complied with Basel capital requirements.

36. COMMITMENTS

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

As at 31 December 2014 and 2013, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2014		31 December 2013	
	Nominal amount	Risk-weighted amount	Nominal Amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	10,628,880	10,075,059	12,924,271	12,651,696
Letters of credit and other contingencies	421,352	391,938	1,217,910	937,518
Unused loan commitments	7,278,644	7,278,644	3,494,113	3,494,113
Total contingent liabilities and credit commitments	**18,328,876**	**17,745,641**	**17,636,294**	**17,083,327**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2014 and 2013, the Group had no capital commitments and operating lease commitments.

37. CONTINGENCIES

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

The Russian laws and regulations affecting business continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits. Fiscal periods remain open to tax audit by the authorities in respect of taxes for the three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable based on its interpretations of the tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. However, the tax authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Groups's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Ruble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

38. CUSTODY ACTIVITIES

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognized in the consolidated statement of financial position. As at 31 December 2014 and 2013, the Group has customer securities amounting to 2,794,035,331 items and 3,713,610,219 items respectively in its nominal holder accounts.

39. RELATED PARTY TRANSACTIONS

Control relationships

The ultimate shareholders of the Group are disclosed in Note 1.

Transactions with key management personnel

Total remuneration included in personnel expenses (refer to Note 14):

	2014 RUR'000	2013 RUR'000
Total remuneration (short-term employee benefits)	414,886	555,689

The outstanding balances and average interest rates as of 31 December for transactions with key management personnel are as follows:

	2014 RUR'000	Average interest rate, %	2013 RUR'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	222,099	11.60%	88,618	13.59%
Provision for impairment	(6,043)	-	(7,181)	-
Off balance sheet guarantees	2,532	-	1,473	-
LIABILITIES				
Current accounts and deposits from customers	195,243	8.89%	240,962	4.47%

Amounts included in the statement of profit or loss and other comprehensive income in relation to transactions with key management personnel for the year ended 31 December 2014 and 2013 are as follows:

The statement of profit or loss and other comprehensive income	2014 RUR'000	2013 RUR'000
Interest income	14,168	13,036
Interest expense	(10,922)	(21,179)
Fee and commission income	65	69
Impairment losses	-	(5,778)

In 2012 the Group's Management and the Board of Directors have approved a plan to separate its subsidiaries OJSC Bank24.ru, The purpose of this transaction was to separate the more entrepreneurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

On 3 June 2014, the Bank repurchased from shareholders 113,618 ordinary shares. Shareholders on 30 June 2014 purchased from the Group shares of OJSC Bank24.ru for the cash proceeds from disposal of own shares. The cash movement of this deal was RUR 297,679 thousand.

Transactions with other related parties

Other related parties include associates, companies under common control and entities with significant influence over the Group. The outstanding balances and the related average interest rates as of 31 December 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows.

	Entities with significant influence over the Group		Associates and companies under common control		
	RUR'000	Average interest rate	RUR'000	Average interest rate	Total RUR'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
Principal balance with interest	-	-	14,394	21.22%	14,394
Provision for impairment	-	-	(1,245)	-	(1,245)
LIABILITIES					
Current accounts and deposits from customers	3,941	12.54%	3,723	-	7,664
Profit or loss					
Interest income	-	-	8,090	-	8,090
Interest expense	375	-	259	-	634
Fee and commission income	12	-	74	-	86

Other related parties include associates, companies under common control and entities with significant influence over the Group. The outstanding balances and the related average interest rates as of 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	Entities with significant influence over the Group		Associates and companies under common control		
	RUR'000	Average interest rate	RUR'000	Average interest rate	Total RUR'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
Principal balance with interest	-	-	253,725	10.00%	253,725
Provision for impairment	-	-	(65,826)	-	(65,826)
LIABILITIES					
Current accounts and deposits from customers	48,460	8.37%	9,819	6.08%	58,279
Profit or loss					
Interest income	-	-	3,537	-	3,537
Interest expense	5,684	-	207	-	5,891
Fee and commission income	12	-	79	-	91
Impairment losses	-	-	(65,154)	-	(65,154)

40. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows are composed of the following items:

	2014 RUR'000	2013 RUR'000
Cash	11,079,308	6,267,061
Nostro accounts with Banks of the Russian Federation	15,442,715	11,414,514
Due from the Central Bank of the Russian Federation – nostro accounts	9,411,623	5,082,347
Placements with Banks of the Russian Federation with initial maturity within 3 month	2,965,425	1,959,258
Placements with OECD banks with original maturity within 3 month	2,817,139	1,317,574
Nostro accounts of OECD banks	1,893,768	3,276,978
Cash equivalents of discontinued operations classified as held for sale	-	8,383,583
	43,609,978	**37,701,315**

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of cash, mandatory cash balances with the CBRF, and placements with banks and other financial institutions are their carrying values.

The estimated fair value of financial instruments at fair value through profit or loss and quoted available-for-sale securities are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

Bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.

Interest rates – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.

Foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies.

Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

Commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centers.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

Cash and balances with the CBRF and minimum reserve deposit with the CBRF, due to the short-term environment and availability restrictions of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.

The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.

The fair value of loans and advanced to banks and loans to customers for loans provided during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other loans is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar deposits with the deduction of the allowances for credit losses from the calculated fair value amounts. The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Investments in equity instruments, which do not have quoted market prices in an active market are measured at cost, as their fair value can not be measured reliably.

Other financial assets and liabilities is mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.

The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.

The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

The Management of the Group believes fair values of all financial instruments, except as described below, approximate their carrying values.

	2014 RUR'000 Carrying value	2014 RUR'000 Fair value	2013 RUR'000 Carrying value	2013 RUR'000 Fair value
ASSETS				
Placements with banks and other financial institutions	23,119,049	23,012,785	19,605,045	19,605,045
Loans to customers	76,340,666	74,442,648	59,539,207	57,895,552
Held-to-maturity investments	6,978,401	6,380,222	1,498,474	1,488,379
LIABILITIES				
Deposits and balances from banks and other financial institutions	8,250,452	8,181,319	8,119,059	8,096,633
Current accounts and deposits from customers	138,541,014	139,159,744	110,582,224	110,933,989
Debt securities issued	5,742,112	5,739,011	5,506,989	5,501,336
Other borrowed funds	4,537,804	4,516,716	1,785,462	1,758,160
Subordinated debt	6,188,665	6,090,761	2,361,404	2,329,757

	Level 1	Level 2	Level 3	31 December 2014 Total
ASSETS				
Placements with banks and other financial institutions	-	23,012,785	-	23,012,785
Loans to customers	-	74,442,648	-	74,442,648
Held-to-maturity investments	6,380,222	-	-	6,380,222
LIABILITIES				
Deposits and balances from banks and other financial institutions	-	8,181,319	-	8,181,319
Current accounts and deposits from customers	-	139,159,744	-	139,159,744
Debt securities issued	-	5,739,011	-	5,739,011
Other borrowed funds	-	4,516,716	-	4,516,716
Subordinated debt	-	6,090,761	-	6,090,761

	Level 1	Level 2	Level 3	31 December 2013 Total
ASSETS				
Placements with banks and other financial institutions	-	19,605,045	-	19,605,045
Loans to customers	-	57,895,552	-	57,895,552
Held-to-maturity investments	1,488,379	-	-	1,488,379
LIABILITIES				
Deposits and balances from banks and other financial institutions	-	8,096,633	-	8,096,633
Current accounts and deposits from customers	-	110,933,989	-	110,933,989
Debt securities issued	-	5,501,336	-	5,501,336
Other borrowed funds	-	1,758,160	-	1,758,160
Subordinated debt	-	2,329,757	-	2,329,757

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Valuation hierarchy

The tables below show the financial instruments carried at fair value by hierarchy – level 1, level 2 and level 3. The valuation techniques, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions for level 3 financial instruments are set out below.

Quoted prices in an active market (Level 1): Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

There were no significant transfers to or from Level 1, Level 2 or Level 3 of the fair value hierarchy during the period.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at					
	December 31, 2014	**December 31, 2013**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobser-vable input(s)**	**Relation-ship of unobserva-ble inputs to fair value**
Financial assets						
1) Financial instruments at fair value through profit or loss (see Note 17)	38,385,551	40,418,105	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Financial instruments at fair value through profit or loss (see Note 17)	4,357,817	209,872	Level 2	Quoted bid prices in an active market and foreign currency exchange rates	N/A	N/A
Financial liabilities						
3) Financial instruments at fair value through profit or loss (see Note 17)	16,584	1,311,503	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Financial instruments at fair value through profit or loss (see Note 17)	212,843	63,065	Level 2	Quoted bid prices in an active market and foreign currency exchange rates	N/A	N/A

The Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs. The table above does not include available-for-sale securities, as those are carried at cost.

42. AVERAGE EFFECTIVE INTEREST RATES

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2014		2013	
Interest bearing assets	**Value RUR'000**	**Average effective interest rate**	**Value RUR'000**	**Average effective interest rate**
Placements with banks and other financial institutions				
Loans and deposits				
- RUR	2,249,314	19.57%	1,570,121	9.88%
- USD	3,532,245	2,94%	3,343,431	1.72%
Financial instruments at fair value through profit or loss				
- RUR	13,807,156	7.54%	24,519,427	7.40%
- USD	24,408,052	7.06%	14,560,422	6.95%
Amounts receivable under reverse repurchase agreements				
- RUR	1,000,614	19.00%	6,440	8.95%
Loans to customers				
- RUR	84,626,341	26.63%	58,717,456	29.10%
- USD	5,835,658	6.44%	782,602	17.18%
- other currencies	137,018	8.76%	39,149	12.59%
Held-to-maturity investments				
- RUR	6,978,401	7.00%	1,498,474	6.97%
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
Term deposits				
- RUR	7,994,746	13.97%	5,779,389	9.56%
- USD	113,105	0.10%	828,441	3.36%
- other currencies	-	-	450,703	4.77%
Amounts payable under repurchase agreements				
- RUR	4,825,898	17.43%	1,216,420	5.50%
- USD	1,858,548	5.19%	666,645	1.77%
Current accounts and deposits from customers				
Term deposits of legal entities				
- RUR	10,974,403	17,08%	13,054,160	10.66%
- USD	1,936,459	3.58%	1,462,720	3.90%
- other currencies	562,660	4.46%	607,381	4.58%
Term deposits of individuals				
- RUR	83,497,693	13.44%	54,883,050	8.65%
- USD	11,502,482	4.85%	9,076,342	5.68%
- other currencies	6,509,838	4.80%	4,684,051	5.58%
Debt securities issued				
- RUR	999,370	12.39%	2,496,732	8.82%
- USD	4,663,162	10.54%	2,868,504	10.39%
- other currencies	79,580	4.40%	141,753	6.18%
Other borrowed funds				
- RUR	3,351,338	9.29%	-	-
- EURO	1,153,311	2.91%	1,721,530	4.37%
- other currencies	33,155	5.25%	63,932	5.25%
Subordinated debt				
- RUR	731,599	8.54%	495,839	8.41%
- USD	5,457,066	6.91%	1,865,565	7.13%

43. MATURITY ANALYSIS

The following table show assets and liabilities of the Group by their remaining contractual maturity as at 31 December 2014, with the exception of financial instruments at fair value through profit or loss and available-for-sale securities, which are shown in the category "Less than 1 month or on demand" based on the fact that the Group's management believes that all of these trading securities could be liquidated within one month in the normal course of business.

ASSETS	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Cash	11,079,308	-	-	-	-	-	-	-	11,079,308
Due from the Central Bank of the Russian Federation	9,411,623	-	-	-	-	-	-	-	9,411,623
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	-	2,397,711	-	2,397,711
Placements with banks and other financial institutions	18,096,334	5,022,715	-	-	-	-	-	-	23,119,049
Financial assets at fair value through profit or loss	38,764,126	3,979,242	-	-	-	-	-	-	42,743,368
Amounts receivable under reverse repurchase agreements	1,000,614	-	-	-	-	-	-	-	1,000,614
Loans to customers	5,115,982	10,200,553	6,642,487	12,493,226	17,208,225	16,966,827	-	7,713,366	76,340,666
Held-to-maturity investments	-	-	978,751	-	5,999,650	-	-	-	6,978,401
Available-for-sale securities	201	-	-	-	-	-	-	-	201
Property, equipment and intangible assets	-	-	-	-	-	-	6,834,187	-	6,834,187
Development property	-	-	-	-	-	-	741,989	-	741,989
Investment property	-	-	-	-	-	-	1,631,739	-	1,631,739
Goodwill	-	-	-	-	-	-	252,676	-	252,676
Current income tax asset		640,944	-	-	-	-	-	-	640,944
Deferred tax asset	-	-	-	-	2,818,373	-	-	-	2,818,373
Other assets	864,775	162,576	111,807	400,019	9,986	37,146	-	-	1,586,309
Total assets	**84,332,963**	**20,006,030**	**7,733,045**	**12,893,245**	**26,036,234**	**17,003,973**	**11,858,302**	**7,713,366**	**187,577,158**

LIABILITIES	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Financial liabilities at fair value through profit or loss	183,550	45,877	-	-	-	-	-	-	229,427
Deposits and balances from banks and other financial institutions	544,878	1,816,028	-	1,449,575	4,372,923	67,048	-	-	8,250,452
Amounts payable under repurchase agreements	6,684,446	-	-	-	-	-	-	-	6,684,446
Current accounts and deposits from customers	31,936,533	12,093,140	12,005,131	26,946,101	55,525,549	34,560	-	-	138,541,014
Debt securities issued	293,808	1,104,580	510,071	259,562	3,570,716	3,375	-	-	5,742,112
Other borrowed funds	-	72,725	113,773	457,751	1,241,347	2,652,208	-	-	4,537,804
Subordinated debt	-	-	-	-	-	6,188,665	-	-	6,188,665
Other liabilities	115,068	298,506	-	1,738,820	4,511	-	-	-	2,156,905
Total liabilities	**39,758,283**	**15,430,856**	**12,628,975**	**30,851,809**	**64,715,046**	**8,945,856**	**-**	**-**	**172,330,825**
Net position as at 31 December 2014	**44,574,680**	**4,575,174**	**(4,895,930)**	**(17,958,564)**	**(38,678,812)**	**8,058,117**	**11,858,302**	**7,713,366**	**15,246,333**

The following table show assets and liabilities of the Group by their remaining contractual maturity as at 31 December 2013, with the exception of financial instruments at fair value through profit or loss and available-for-sale securities, which are shown in the category "Less than 1 month or on demand" based on the fact that the Group's management believes that all of these trading securities could be liquidated within one month in the normal course of business.

ASSETS	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Cash	6,267,061	-	-	-	-	-	-	-	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	-	-	-	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	-	1,268,350	-	1,268,350
Placements with banks and other financial institutions	15,640,659	2,327,665	-	1,636,721	-	-	-	-	19,605,045
Financial assets at fair value through profit or loss	40,627,977	-	-	-	-	-	-	-	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	-	-	-	-	-	6,440
Loans to customers	7,288,409	10,393,723	5,671,411	7,034,108	15,791,544	7,196,238	-	6,163,774	59,539,207
Held-to-maturity investments	-	-	-	-	1,498,474	-	-	-	1,498,474
Available-for-sale securities	105,076	-	-	-	-	-	-	-	105,076
Property, equipment and intangible assets	-	-	-	-	-	-	4,431,803	-	4,431,803
Development property	-	-	-	-	-	2,650,974	-	-	2,650,974
Investment property	-	-	-	-	1,224,473	-	-	-	1,224,473
Goodwill	-	-	-	-	-	-	252,676	-	252,676
Current income tax asset	-	79,668	-	-	-	-	-	-	79,668
Deferred tax asset	-	-	-	-	1,181,406	-	-	-	1,181,406
Other assets	838,008	54,077	4,017	86,159	20,837	26,798	-	-	1,029,896
Assets of discontinued operations classified as held for sale	9,685,977	1,461,540	1,374,833	2,241,373	3,915,517	3,694,522	2,017,959	2,363,042	26,754,763
Total assets	**85,541,954**	**14,316,673**	**7,050,261**	**10,998,361**	**23,632,251**	**13,568,532**	**7,970,788**	**8,526,816**	**171,605,636**

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

LIABILITIES	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Financial liabilities at fair value through profit or loss	1,374,568	-	-	-	-	-	-	-	1,374,568
Deposits and balances from banks and other financial institutions	3,530,332	2,231,496	698,617	1,506,828	100,386	51,400	-	-	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	-	-	-	-	-	1,883,065
Current accounts and deposits from customers	32,158,409	7,594,563	11,679,569	22,564,504	36,576,051	9,128	-	-	110,582,224
Debt securities issued	530,817	378,371	801,687	1,132,013	2,664,047	54	-	-	5,506,989
Other borrowed funds	-	189,412	353,506	94,723	1,147,821	-	-	-	1,785,462
Subordinated debt	-	-	-	114,552	-	2,246,852	-	-	2,361,404
Other liabilities	158,464	271,387	-	1,419,777	5,200	-	-	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	8,725,405	905,482	707,417	3,274,265	7,068,396	99,863	-	-	20,780,828
Total liabilities	**48,361,060**	**11,570,711**	**14,240,796**	**30,106,662**	**47,561,901**	**2,407,297**	**-**	**-**	**154,248,427**
Net position as at 31 December 2013	**37,180,894**	**2,745,962**	**(7,190,535)**	**(19,108,301)**	**(23,929,650)**	**11,161,235**	**7,970,788**	**8,526,816**	**17,357,209**

44. CURRENCY ANALYSIS

The following table shows the currency structure of assets and liabilities at 31 December 2014.

	RUR RUR'000	USD RUR'000	EUR RUR'000	Other currencies RUR'000	Total RUR'000
ASSETS					
Cash	7,197,991	2,302,315	1,568,295	10,707	11,079,308
Due from the Central Bank of the Russian Federation	9,411,623	-	-	-	9,411,623
Mandatory cash balances with the Central Bank of the Russian Federation	2,397,711	-	-	-	2,397,711
Placements with banks and other financial institutions	3,601,033	16,435,524	1,187,148	1,895,344	23,119,049
Financial assets at fair value through profit or loss	14,077,271	28,666,097	-	-	42,743,368
Amounts receivable under reverse repurchase agreements	1,000,614	-	-	-	1,000,614
Loans to customers	62,771,697	13,553,424	15,545	-	76,340,666
Held-to-maturity investments	6,978,401	-	-	-	6,978,401
Available-for-sale securities	201	-	-	-	201
Property, equipment and intangible assets	6,834,187	-	-	-	6,834,187
Development property	741,989	-	-	-	741,989
Investment property	1,631,739	-	-	-	1,631,739
Goodwill	252,676	-	-	-	252,676
Current income tax asset	640,944	-	-	-	640,944
Deferred tax asset	2,818,373	-	-	-	2,818,373
Other assets	1,544,633	17,849	23,208	619	1,586,309
Total assets	**121,901,083**	**60,975,209**	**2,794,196**	**1,906,670**	**187,577,158**
LIABILITIES					
Financial liabilities at fair value through profit or loss	229,427	-	-	-	229,427
Deposits and balances from banks and other financial institutions	8,009,451	155,691	85,044	266	8,250,452
Amounts payable under repurchase agreements	4,825,898	1,858,548	-	-	6,684,446
Current accounts and deposits from customers	115,572,845	14,938,136	8,020,499	9,534	138,541,014
Debt securities issued	999,370	4,663,162	79,580	-	5,742,112
Other borrowed funds	3,351,338	-	1,153,311	33,155	4,537,804
Subordinated debt	731,599	5,457,066	-	-	6,188,665
Other liabilities	1,625,095	5,258	400,389	126,163	2,156,905
Total liabilities	**135,345,023**	**27,077,861**	**9,738,823**	**169,118**	**172,330,825**
Net on balance sheet position as at 31 December 2014	**(13,443,940)**	**33,897,348**	**(6,944,627)**	**1,737,552**	**15,246,333**
Net off balance sheet position as at 31 December 2014	**30,915,112**	**(35,385,342)**	**6,296,892**	**(1,826,662)**	**-**
Net on and off balance sheet positions as at 31 December 2014	**17,471,172**	**(1,487,994)**	**(647,735)**	**(89,110)**	**15,246,333**

The following table shows the currency structure of assets and liabilities at 31 December 2013

	RUR RUR'000	USD RUR'000	EUR RUR'000	Other currencies RUR'000	Total RUR'000
ASSETS					
Cash	4,219,633	1,043,774	996,265	7,389	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	-	-	1,268,350
Placements with banks and other financial institutions	2,842,636	12,448,328	2,486,393	1,827,688	19,605,045
Financial assets at fair value through profit or loss	24,744,492	15,872,494	10,991	-	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	-	6,440
Loans to customers	58,717,456	782,602	39,149	-	59,539,207
Held-to-maturity investments	1,498,474	-	-	-	1,498,474
Available-for-sale securities	105,076	-	-	-	105,076
Property, equipment and intangible assets	4,431,803	-	-	-	4,431,803
Development property	2,650,974	-	-	-	2,650,974
Investment property	1,224,473	-	-	-	1,224,473
Goodwill	252,676	-	-	-	252,676
Current income tax asset	79,668	-	-	-	79,668
Deferred tax asset	1,181,406	-	-	-	1,181,406
Other assets	1,001,946	5,026	22,601	323	1,029,896
Assets of discontinued operations classified as held for sale	25,351,015	1,100,821	291,483	11,444	26,754,763
Total assets	**134,658,865**	**31,253,045**	**3,846,882**	**1,846,844**	**171,605,636**
LIABILITIES					
Financial liabilities at fair value through profit or loss	1,371,316	3,118	134	-	1,374,568
Deposits and balances from banks and other financial institutions	6,209,100	1,401,336	508,456	167	8,119,059
Amounts payable under repurchase agreements	1,216,420	666,645	-	-	1,883,065
Current accounts and deposits from customers	93,132,900	11,499,256	5,939,885	10,183	110,582,224
Debt securities issued	2,496,732	2,868,504	141,753	-	5,506,989
Other borrowed funds	-	-	1,721,530	63,932	1,785,462
Subordinated debt	495,840	1,865,564	-	-	2,361,404
Other liabilities	1,851,554	3,197	77	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	20,000,723	450,889	327,892	1,324	20,780,828
Total liabilities	**126,774,585**	**18,758,509**	**8,639,727**	**75,606**	**154,248,427**
Net on balance sheet position as at 31 December 2013	**7,884,280**	**12,494,536**	**(4,792,845)**	**1,771,238**	**17,357,209**
Net off balance sheet position as at 31 December 2013	**10,406,339**	**(13,280,888)**	**4,482,227**	**(1,607,678)**	**-**
Net on and off balance sheet positions as at 31 December 2013	**18,290,619**	**(786,352)**	**(310,618)**	**163,560**	**17,357,209**
Net on and off balance sheet positions as at 31 December 2012	**15,333,802**	**(151,904)**	**(177,378)**	**45,025**	**15,049,545**

45. GEOGRAPHICAL CONCENTRATION

The following table shows the geographical concentration of assets and liabilities at 31 December 2014.

	Russia RUR'000	Non-OECD countries RUR'000	OECD countries RUR'000	31 December 2014 Total RUR'000
ASSETS				
Cash	11,079,308	-	-	11,079,308
Due from the Central Bank of the Russian Federation	9,411,623	-	-	9,411,623
Mandatory cash balances with the Central Bank of the Russian Federation	2,397,711	-	-	2,397,711
Placements with banks and other financial institutions	4,361,330	3,513,811	15,243,908	23,119,049
Financial assets at fair value through profit or loss	29,633,981	8,966,454	4,142,933	42,743,368
Amounts receivable under reverse repurchase agreements	1,000,614	-	-	1,000,614
Loans to customers	70,505,008	-	5,835,658	76,340,666
Held-to-maturity investments	6,978,401	-	-	6,978,401
Available-for-sale securities	201	-	-	201
Property, equipment and intangible assets	6,834,187	-	-	6,834,187
Development property	741,989	-	-	741,989
Investment property	1,631,739	-	-	1,631,739
Goodwill	252,676	-	-	252,676
Current income tax asset	640,944	-	-	640,944
Deferred tax asset	2,818,373	-	-	2,818,373
Other assets	1,586,309	-	-	1,586,309
TOTAL	**149,874,394**	**12,480,265**	**25,222,499**	**187,577,158**
LIABILITIES				
Financial liabilities at fair value through profit or loss	229,427	-	-	229,427
Deposits and balances from banks and other financial institutions	7,078,905	-	1,171,547	8,250,452
Amounts payable under repurchase agreements	6,684,446	-	-	6,684,446
Current accounts and deposits from customers	138,541,014	-	-	138,541,014
Debt securities issued	2,232,849	3,509,263	-	5,742,112
Other borrowed funds	3,351,338	-	1,186,466	4,537,804
Subordinated debt	731,600	5,457,065	-	6,188,665
Other liabilities	2,156,905	-	-	2,156,905
TOTAL FINANCIAL LIABILITIES	**161,006,484**	**8,966,328**	**2,358,013**	**172,330,825**
OPEN POSITION	**(11,132,090)**	**3,513,937**	**22,864,486**	

The following table shows the geographical concentration of assets and liabilities at 31 December 2013.

	Russia RUR'000	Non-OECD countries RUR'000	OECD countries RUR'000	31 December 2013 Total RUR'000
ASSETS				
Cash	6,267,061	-	-	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	-	1,268,350
Placements with banks and other financial institutions	13,004,167	777	6,600,101	19,605,045
Financial assets at fair value through profit or loss	34,568,282	1,550,239	4,509,456	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	6,440
Loans to customers	59,539,207	-	-	59,539,207
Held-to-maturity investments	1,498,474	-	-	1,498,474
Available-for-sale securities	105,076	-	-	105,076
Property, equipment and intangible assets	4,431,803	-	-	4,431,803
Development property	2,650,974	-	-	2,650,974
Investment property	1,224,473	-	-	1,224,473
Goodwill	252,676	-	-	252,676
Current income tax asset	79,668	-	-	79,668
Deferred tax asset	1,181,406	-	-	1,181,406
Other assets	1,029,896	-	-	1,029,896
Assets of discontinued operations classified as held for sale	26,754,763	-	-	26,754,763
TOTAL	**158,945,063**	**1,551,016**	**11,109,557**	**171,605,636**
LIABILITIES				
Financial liabilities at fair value through profit or loss	1,324,225	-	50,343	1,374,568
Deposits and balances from banks and other financial institutions	7,616,496	104,634	397,929	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	1,883,065
Current accounts and deposits from customers	110,582,224	-	-	110,582,224
Debt securities issued	3,480,592	2,026,397	-	5,506,989
Other borrowed funds	-	-	1,785,462	1,785,462
Subordinated debt	480,728	1,880,676	-	2,361,404
Other liabilities	1,854,828	-	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	18,556,518	2,224,310	-	20,780,828
TOTAL FINANCIAL LIABILITIES	**145,778,676**	**6,236,017**	**2,233,734**	**154,248,427**
OPEN POSITION	**13,166,387**	**(4,685,001)**	**8,875,823**	

46. ACQUISITION OF SUBSIDIARY

On 21 April 2014, the Group obtained managerial control over OJSC CB "Solidarnost", by appointment to the Board of Directors of key top management personnel of OJSC "Probusinessbank". The control was obtained in order to increase the market share of the Group in the Samara region.

OJSC CB "Solidarnost" is a regional bank operating in the Samara region specialising in corporate lending, and access to a retail deposit base on the local market.

On 21 April 2014, the Group purchased a right to obtain shares from the existing owner of the bank. This agreement is valid until 22 December 2024 and is exercisable at any time when OJSC "Probusinessbank" decides to acquire 20% of the voting equity shares in OJSC CB "Solidarnost" at a fixed price. In combination of all these factors the Group has recognized 21 April 2014 as the date when the Group obtained control over OJSC CB "Solidarnost".

All settlements are to be made at the date of actual sale of the voting equity shares and there was no consideration transferred at the acquisition or reporting dates.

The fair values of OJSC CB "Solidarnost" identifiable assets and liabilities at the date of obtaining control were as follows:

	Fair value of assets and liabilities RUR'000
ASSETS	
Cash	640,125
Due from the Central Bank of the Russian Federation	234,287
Mandatory cash balances with the Central Bank of the Russian Federation	93,772
Placements with banks and other financial institutions	5,490,874
Financial instruments at fair value through profit or loss	272,569
Loans to customers	5,864,142
Property and equipment and intangible assets	1,272,406
Investment property	907,562
Deferred tax asset	534,658
Other assets	96,857
LIABILITIES	
Deposits and balances from banks and other financial institutions	(6)
Current accounts and deposits from customers	(9,007,675)
Debt securities issued	(30,793)
Other borrowed funds	(3,229,955)
Amounts payable under repurchase agreements	(215,604)
Other liabilities	(56,286)
Net identifiable assets acquired	**2,866,933**
Cash consideration paid	-
Non-controlling interest	2,866,933
Gain on acquisition	**-**

The following amounts were recognized in the consolidated financial statements in the period from the acquisition date to 31 December 2014 in respect of the above bank:

	OJSC CB "Solidarnost"
Total revenue	59,478
Net loss	(107,573)

The initial accounting for the acquisition of OJSC CB "Solidarnost" has only been provisionally determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have therefore only been provisionally determined based on the Group management's best estimate.

The loans acquired to customers and to banks had fair values of RUR 5,864,142 thousand and RUR 5,490,874 thousand, respectively, and gross contractual amounts of RUR 11,988,575 thousand and RUR 5,490,874 thousand, respectively. The best estimate at acquisition date of the amounts expected not to be collected on these contractual cash flows is RUR 5,864,142 thousand and RUR 5,490,874 thousand, respectively.

Net cash outflow on acquisition of subsidiaries

	OJSC CB "Solidarnost"
Consideration paid in cash	-
Less: cash and cash equivalents acquired	(640,125)
Total	**(640,125)**

Had these business combinations been effected at 1 January 2014, the revenue of the Group from continuing operations would have been RUR 242,660 thousand, and the profit for the year from continuing operations would have been RUR 62,292 thousand. The Group management consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

In determining the pro-forma revenue and profit of the Group had 20% been acquired at the beginning of the current reporting period, the Group management has:

- Calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;
- Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination;
- Excluded takeover defense costs of the acquiree as a one-off pre-acquisition transaction.

The non-controlling interest recognized at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets and amounted to RUR 2,866,933 thousand.

47. EARNINGS PER SHARE

(Losses)/earnings per share	2014	2013
From continuing and discontinued operations		
Basic and diluted (RUR)	(884.36)	625.32
From continuing operations		
Basic and diluted (RUR)	(944.31)	616.04

Basic and diluted earnings per share

The calculation of basic earnings per share as at 31 December 2014 is based on the loss attributable to ordinary shareholders of RUR 2,940,233 thousand (31 December 2013: profit of RUR 2,150,065 thousand), and a weighted average number of ordinary shares outstanding of 3,324,711 (2013: 3,438,329) calculated as follows.

	2014 RUR'000	2013 RUR'000
(Loss)/profit attributable to:		
Equity holders of the Bank	(2,940,233)	2,150,065
Non-controlling interest	(104,576)	50,969
(Loss)/profit for the year	**(3,044,809)**	**2,201,034**

	2014	2013
Issued ordinary shares at 31 December	3,438,329	3,438,329
Treasury shares	(113,618)	-
Weighted average number of ordinary shares for the year ended 31 December	**3,324,711**	**3,438,329**